Jolimark Holdings Limited
映美控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 2028

2020 Annual Report

Contents

Corporate Information

Directors

Executive Directors

Mr. Au Pak Yin *(Chairman)*
Mr. Au Kwok Lun *(Chief Executive Officer)*

Non-Executive Director

Mr. Ou Guo Liang

Independent Non-Executive Directors

Ms. Kan Lai Kuen, Alice
Dr. Zhong Xiaolin
Mr. Yeung Kwok Keung

Registered Office

Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Principal Place of Business in Hong Kong

Unit 07, 21 Floor
K. Wah Centre
191 Java Road
North Point
Hong Kong

Company Secretary

Mr. Lai Sai Wo, Ricky

Authorised Representatives

Mr. Au Kwok Lun
Mr. Lai Sai Wo, Ricky

Audit Committee

Ms. Kan Lai Kuen, Alice *(Chairman)*
Dr. Zhong Xiaolin
Mr. Yeung Kwok Keung

Remuneration Committee

Mr. Yeung Kwok Keung *(Chairman)*
Dr. Zhong Xiaolin
Ms. Kan Lai Kuen, Alice
Mr. Au Kwok Lun

Nomination Committee

Ms. Kan Lai Kuen, Alice *(Chairman)*
Dr. Zhong Xiaolin
Mr. Yeung Kwok Keung

Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22nd Floor, Prince's Building
Central
Hong Kong

Legal Adviser to the Company as to Hong Kong Law

Sidley Austin
Level 39
Two International Finance Centre
8 Finance Street
Central
Hong Kong

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Principal Bankers

China Construction Bank
Agricultural Bank of China
Nanyang Commercial Bank
Xiamen International Bank
China Guangfa Bank

Stock Code

2028

Website

www.jolimark.com

Chairman's Statement

Dear Shareholders,

In 2020, the Group recorded revenue of approximately RMB275,967,000, representing a decrease of approximately 7% from 2019. Loss attributable to shareholders of the Company during the year was approximately RMB25,113,000. In 2020, the outbreak of the COVID-19 epidemic led to a decrease in revenue, with a slight increase in gross profit margin of 2% to 31%.

The revenue generated from our printer business was approximately RMB265,128,000, representing approximately 96% of the Group's revenue and a decrease of approximately 9% from 2019. Revenue generated from other products business was approximately RMB10,839,000.

As electronic invoices and electronic bills are becoming a standard practice, the market demand for dot-matrix printers will gradually decrease. The Company will endeavour to develop the application of inkjet printers through exploring them to fill up the vacuum created by the possible shrinking of dot-matrix printers market. Guided by the strategic principle of "printer as cloud application", the Company continues to maintain its advantages in the electronic invoice cloud printing sector. We are an important strategic partner for WeChat and Alipay electronic invoice cloud printing services, and Jolimark electronic invoice cloud printer and cloud printing solutions have been widely used by many large-scale customers. The electronicization of special value-added tax invoices will be fully promoted in 2021, and the market for electronic invoice printers is expected to grow significantly in the future.

With cloud printing as one of the most essential services in the era of SAAS (software as a service), the Company has developed into and positioned itself as a cloud-based application service provider combining hardware and software and will continue to adhere to the ground-breaking principle of "printer as cloud application". Jolimark cloud printing public platform and Jolimark cloud printing application solutions are two key core technologies which enable the Company to explore and capture new markets. The Company has created the Jolimark Cloud Printing Open Platform for SAAS software developers, so that the Company's SAAS cloud printer sales continued to grow rapidly. Jolimark's cloud printing application has launched the USB cloud printer and "E Invoicing (E開單)" mini-program, the Company will also launch a variety of SAAS cloud application products one after another, including the "Hassle-free reimbursement" mini-program and "Jolimark Cloud Printing" SAAS mini-program, which are planned to be launched in 2021. In the promotion of SAAS cloud applications, the Company will set up a new media operation department in the future to achieve precision marketing through content operations on platforms such as Kuaishou and Douyin.

In terms of new retail system, the market for cloud-based self-serviced terminals will be enormous, and such products offered by Jolimark are currently widely used in the market. The Company's medical financial electronic bill self-service terminal in red and black colours is the only device on the market that can print red seals, and we expect the business momentum under this segment will develop well. The Jolimark coffee art machine and Jolimark manicure machine launched are a new generation of interactive experience products for internet key opinion leaders, and are also the new products of our future transformation and upgrade. Meanwhile, the Company will develop a new retail platform with O2O functions, including a QR code ordering cashier system and a sharing-style fan fission marketing platform.

In addition, it is expected that a one-to-many video interactive education platform will be launched in 2021, which enables teachers to interact through video with students located in different places, so that teachers and students can experience the "being there" effect as live teaching, and this platform is also well suited to be used in supporting product training sessions and meeting arrangements.

The Company obtained the licence for producing medical masks, the medical equipment production certificate (Category II) as well as the CE certification of the EU in 2020, and planned to launch a variety of medical equipment products in 2021, including medical-grade noiseless compressor-based nebuliser, which can be used to treat COVID-19 patients and similar patients, and also the portable medical-grade ventilator which is of minute size and light weight nature, and also suitable for mountaineering and high-latitude tourism, personal, office and domestic oxygen bars. These medical device products will become the profit growth highlights of the Company.

The outbreak of the COVID-19 in China in the beginning of the year and its recurrence during winter, coupled with the uncontrollable overseas epidemics have resulted consumption restrictions, which exerted significant adverse impact on the development of the overall market economy, and would also cause certain impact on the Group's sales in the short term. The Group focuses on daily prevention and control, and develops or produces medical device products to reduce the impact of the epidemic on the Group. Looking forward into 2021, the Company is entering a challenging and optimistic year. However, as good opportunities are brought our transformation and upgrading, I believe that the Company is on track for continuous and steady development, and can effective meet and tackle different kinds of challenges.

Finally, on behalf of the Board, I would like to express my gratitude to our shareholders, the management team, all employees and customers for their support for the Group over the past year. It is with the diligence, energy and optimism of our employees that the Group looks forward for more long-term and satisfactory returns for our shareholders.

By order of the Board
Au Pak Yin
Chairman
Jolimark Holdings Limited

Hong Kong, 23 March 2021

Management's Discussion and Analysis

Business Review

Printer Business

For the year ended 31 December 2020, the revenue of the Group derived from the printer business was approximately RMB265,128,000, and accounted for approximately 96% of the total revenue of the Group, representing a decrease of approximately 9% as compared with 2019. The decrease in revenue was mainly attributable to the impact of COVID-19 epidemic in 2020.

Other Products Business

For the year ended 31 December 2020, the revenue of the Group derived from the other products business amounted to approximately RMB10,839,000, which accounted for approximately 4% of the total revenue of the Group and represented an increase of approximately 91% over the year of 2019. It was mainly attributable to the increased revenue from the production of masks and household supplies.

Future Business Outlook

In 2020, the Company proactively responded to the epidemic. With the concerted efforts of all employees our operating conditions have improved significantly against that for last year. The Company has also been proactively fulfilling its corporate social responsibilities by actively contributing to the epidemic control initiatives in Wuhan through the donation of over one thousand printers in support of hospitals in Hubei and other regions in China in their battle against the epidemic. The Company has at the same time obtained a medical equipment production certificate (Category II) in 2020, which was a positive progress in our business transformation, upgrade and to become a sustainable business.

Printing Equipment and Printing Solutions

As electronic invoices and financial electronic bills are becoming standard practices, the Company expects the market demand for dot-matrix printers to gradually weaken. In 2020, the Company strived in expanding those sub-sectors that have potentials for dot-matrix printing demands and achieved satisfactory outcomes in power generation, measurement instruments, household register printing for public security systems and in the hospital markets. Meanwhile, we endeavour to explore new applications for inkjet printers and have launched or will soon be launching continuous paper feed inkjet printers for the medical market, electronic medical history record printers and official "red letterheaded" printers for government and industries. We will also be introducing colour inkjet homework printers for the household, colour label printers for the manufacturing and commercial sectors and colour medicine bag printers in the medical sector. The Company is exploring further applications of these inkjet printers in various industries to fill the vacuum created by the possible shrinking of dot-matrix printers market in the future.

Electronic Invoice Cloud Printer

The Company has all along been cultivating the electronic invoice cloud printing sector and has continued to maintain this competitive advantage. We are proud that the technical standards of Jolimark electronic invoice cloud printing have found their way into standard tutorial materials in the WeChat and Alipay open platforms for developers. The Company is also an important strategic partner for WeChat and Alipay in electronic invoice cloud printing. Meanwhile, Jolimark electronic invoice cloud printers and cloud printing solutions have been widely adopted by leading customers in many industries, such as China Southern Power Grid, State Grid, China Telecom, Aisino of China (中國航天信息), PetroChina, Sinopec, Shell, National Taxation Bureau, Wal-Mart, and China Construction Bank and other large customers. As the State Administration of Taxation has notified that the electronicization of special value-added tax invoices will be fully implemented in 2021, the market for electronic invoice printers can be expected to grow significantly as a consequence. Given that electronic invoices are gateways to fiscal and tax data and their applications, Jolimark will strive to capture any new opportunities and new value created by the Internet and big data.

SAAS Cloud Printer

Remote commercial printing has become popular as a consequence of the development of mobile Internet and the adoption of SAAS with multi-terminal and multi-network segment. In 2021, the Company will steadfastly adhere to its strategic guiding principle that "printing is all about cloud applications". Based on our core competitive strength for having been in the printer sector for more than 30 years, the Company continue to position itself as a cloud printing application service provider with in-depth knowledge in the integration of software and hardware and will remain fully committed to empowering software developers to provide cloud printers to suit every printing need. The Company has created the Jolimark Cloud Printing Open Platform for SAAS software developers with more than 1,000 registered software developer partners. The Company's SAAS cloud printer sales has continued to grow rapidly in 2020.

Big Data and SAAS Cloud Application

The printer itself is a data processing terminal, and the application of cloud printing will transform offline isolated data into cloud based intelligently interconnected big data, which could generate value in different applications. Without any software modification, the USB cloud printer launched by the Company can help different cashier systems and business systems to achieve broader applications such as self-service electronic invoice issuance, O2O online membership marketing system, smart parking and smart shopping mall management.

The Company has also targeted to develop SAAS applications. Taking cloud printing as the entry point, the Company has successively launched a variety of SAAS cloud applications. The Company's "E Invoicing (E開單)" mini-program was launched during the epidemic in April 2020 and is positioned as an SAAS application for purchasing, sales and inventory management that is extremely easy to use by small and medium sized wholesalers. In just a few months, it has secured more than 2,000 registered merchants and more than 500 cloud printers have been sold. The "Hassle-free reimbursement" mini-program launched in the first quarter of 2021 is a remote SAAS system for convenient reimbursement and electronic invoice printing. It facilitates remote reimbursements during business travels, and performs extensive core functions such as invoice authenticity checking and repeated reimbursement prevention of electronic invoices, remote approval and payment, and convenient remote batch printing of electronic invoices, thus boosting the efficiency of reimbursement procedures of corporates. The Company is also planing to launch the "Jolimark Cloud Printing" SAAS mini-program in the first quarter of 2021 to provide shared paid printing and paid advertising functions and an operating platform integrating software and hardware for third-party operators. To further promote SAAS cloud applications, the Company will set up a new media operation department to undertake precision marketing through content operations on platforms such as Kuaishou and Douyin.

New Retail System and Platform

The Jolimark cloud printed self-serviced terminal effectively eases the need for touch screen devices and reduces the corresponding development and maintenance costs. Customers can operate through their phones after scanning the QR code and be presented with customized-ads. Our cloud printed self-serviced terminal has been launched in the medical industry, bookstores, tax administration halls, welfare lottery centres. The service provides personalized advertising while satisfying printing needs. In cooperation with Beijing Welfare Lottery, Heilongjiang Welfare Lottery and China Sports Lottery, the lottery self-service printing terminal business has achieved breakthrough sales. The Company's medical financial electronic bill self-service terminal with red and black printing outputs is currently the only device on the market that can print red seals. Under the policy of the Ministry of Finance, to vigorously promoting medical electronic bills, the Company expects this business to develop well in 2021. The market for cloud-based self-serviced terminals will be enormous and the Company will position it as one of our core business products.

The Jolimark coffee art machine and Jolimark manicure machine are a new generation of interactive experience products for the internet key opinion leaders (KOLs). These products can quickly print high-definition images and patterns on coffee, biscuits and other food surfaces or on finger nails in ten seconds, and realize independent printing after uploading pictures by scanning a WeChat barcode, which are of artistic and interactive nature, and these new products will drive the Company to welcome the new retail traffic as well as consumer industry transformation and upgrade in the future.

Meanwhile, the Company uses electronic invoice printing, personalized interactive experience printing, shared file printing and other cloud printing features as entry points to develop a new retail platform with O2O functions, including a QR code ordering cashier system and a sharing-style fan fission marketing platform.

Video Interactive Education System

Jolimark's remote teaching system is an one-to-many video interactive education platform introduced through the effective integration of a variety of equipments developed by the Company, including projector camera, camera scanner and education system console. It allows teachers to interact through video with students located in different places. Through a projector camera or a camera scanner, teachers can achieve a virtual presence effect as in live teaching. It is especially suitable for teaching and instant instruction of art, calligraphy, musical performance and indoor exercise, and is also capable to support product training and business meetings. Owing to the pandemic in 2020, we expect to launch the system in 2021.

Medical Equipment Products

In 2020, the Company obtained the license for producing medical masks, the medical equipment production certificate (Category II) as well as the CE certification of the EU, and was also whitelisted by the PRC Ministry of Commerce for medical supply exports. The Company will continue to launch variety of medical equipment products. The medical-grade noiseless compressor-based nebuliser is expected to hit the market in the first half of 2021. The nebuliser is mainly used for nebulized inhalation therapy, which is capable of generating particles with an average diameter of 3.5 micrometres, a size that can easily enter the alveoli and the lower respiratory tract for ready absorption by the human body. With a 25% greater noise-reduction ratio, this Jolimark device performs way better than other ultrasonic nebulisers in the market. Treating COVID-19 patients with nebulised therapies have shown to produce prominent results in researches conducted both domestically and abroad, and the Company expects that the device can be used to treat COVID-19 patients and similar patients. Further, it is expected that a portable medical-grade ventilator will be launched in 2021. This product is mainly designed for patients with retarded lung functions and are dependent on breathing support. The minute size and light weighted product enables patients to remain socially engaged, and is also suitable for mountaineering, high-latitude tourism, for use personally, in the office or in domestic oxygen bars. The launch of medical equipment products will enrich the Company's business scope and create opportunities for profit growth.

Financial Review

Results Summary

For the year ended 31 December 2020, the Group's turnover amounted to approximately RMB275,967,000 representing a decrease of approximately 7% as compared with last year. The loss attributable to shareholders of the Company amounted to approximately RMB25,113,000, as compared to a loss of RMB36,057,000 last year. The basic loss per share was approximately RMB0.041 (the basic loss per share as at 31 December 2019: RMB0.059). The decrease in loss attributable to shareholders was mainly due to a decrease in operating costs in 2020.

Analysis of Sales and Gross Profit

Compared with 2019, the consolidated revenue of the Group decreased by approximately 7%. Gross profit margin increases slightly from approximately 29% in 2019 to approximately 31%.

Capital Expenditure

For the year ended 31 December 2020, capital expenditure of the Group amounted to approximately RMB12,063,000, which was mainly used for the acquisition of production equipment and customised production of product molds.

Financial and Liquidity Position

As at 31 December 2020, the total assets of the Group amounted to approximately RMB398,426,000 (31 December 2019: RMB406,571,000), controlling shareholder's interests amounted to approximately RMB216,985,000 (31 December 2019: RMB241,967,000); non-controlling interests amounted to approximately RMB(872,000) (31 December 2019: RMB(564,000)); current liabilities amounted to approximately RMB180,823,000 (31 December 2019: RMB163,442,000), and the current ratio (the ratio of current assets to current liabilities) of the Group was approximately 1.33 (31 December 2019: 1.53). The decrease in current ratio was mainly attributable to an increase in current liabilities of RMB17,381,000 for the year.

As at 31 December 2020, the cash and cash equivalents and restricted cash of the Group amounted to approximately RMB104,583,000 (31 December 2019: RMB129,627,000) in aggregate, whereas the bank loans of the Group amounted to approximately RMB86,096,000 (31 December 2019: RMB92,247,000). The Group was in a net cash position after deducting the loans.

As at 31 December 2020, the Group received outstanding bank acceptance bills from customers amounted to approximately RMB302,000 (31 December 2019: RMB1,649,000).

Pledge of Assets

As of 31 December 2020, no deposit with banks (31 December 2019: RMB7,000,000) was used as security for bank loans facilities. The relevant bank deposits used as security for bank loans facilities disclosed in the annual report for the year ended 31 December 2019 were released upon the settlement of relevant bank loans during the year.

Foreign Currency Risks

The Group mainly operates in Mainland China with most of the transactions denominated and settled in RMB. However, the Group is exposed to foreign exchange risks for assets and liabilities denominated in United States dollars ("US$"), Taiwanese dollars ("TWD"), Euro and Hong Kong dollars ("HK$") arising from the importation of certain raw materials and machinery from overseas suppliers, sales of goods to overseas customers and borrowings that are denominated in foreign currencies. As at 31 December 2020, the Group had more monetary financial liabilities than financial assets outside the Mainland China.

The Group manages and monitors its foreign exchange risks by performing regular review of the Group's net foreign exchange exposures and mitigates the impact of exchange rate fluctuations by reducing the financial liabilities if needed.

Acquisition and Disposal

On 18 December 2020, a wholly-owned subsidiary of the Company, acquired through bidding on SUAEE 0.36% of the equity interest in 大象慧雲信息技術有限公司 (Ele-Cloud Information Technology Co., Ltd.) for an aggregate consideration of RMB5,000,000. Such company is a leading tax digitalisation service provider in China. For further details, please refer to the announcement of the Company dated 18 December 2020.

Save as disclosed otherwise, the Group did not have any other material acquisitions or disposals during the year under review.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2020 (31 December 2019: nil).

Staff

As at 31 December 2020, the Group employed a total of 858 staff members (2019: 976 staff members). Apart from 27 employees employed in Hong Kong and overseas, all of the employees of the Group were based in mainland China. The Group determined its remuneration and bonus policies for all employees with reference to the business results and individual performance of the staff. In addition, fringe benefits, such as social security insurance, medical allowance and housing provident fund, were provided to ensure the competitiveness of the Group. In addition, the Group has adopted a share option scheme with the objective to reward and incentivize its employees.

Subsequent events

There were no other significant events up to the date of this report.

Final Dividend

The Board of directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2020 (Year ended 31 December 2019: nil).

Closure of Register of Members

The annual general meeting of the Company will be held on Monday, 24 May 2021. For determining the entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Tuesday, 18 May 2021 to Monday, 24 May 2021, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 17 May 2021.

Audit committee

The audit committee of the Company (the "Audit Committee") comprises Ms. Kan Lai Kuen, Alice, as the chairman, Dr. Zhong Xiaolin and Mr. Yeung Kwok Keung. All of them are independent non-executive Directors. The Audit Committee assists the Board in providing an independent review of the completeness, accuracy and fairness of the financial statements of the Group, as well as the efficiency and effectiveness of the Group's operations and internal controls. The Audit Committee has reviewed the results of the Group for the year ended 31 December 2020.

The Board is pleased to present its report together with the audited financial statements of the Group for the year ended 31 December 2020.

Principal Activities and Analysis of Operations

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in Note 9 to the financial statements.

An analysis on sales and gross profit of the Group using financial key performance indicators for the year ended 31 December 2020 is set out in the section headed Management's Discussion and Analysis of this annual report.

Results and Appropriations

The results of the Group for the year ended 31 December 2020 are set out in the consolidated income statement on page 58.

No interim dividend for the six months ended 30 June 2020 was paid by the Company. At the Board meeting held on 23 March 2021, the Board did not recommend the payment of a final dividend for the year ended 31 December 2020 (Year ended 31December 2019: nil).

Reserves

Movements in the reserves of the Group during the year under review are set out in Note 19 to the financial statements.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in Note 6 to the financial statements.

Share Capital

Details of the movements in share capital of the Company are set out in Note 18 to the financial statements.

Distributable Reserves

As at 31 December 2020, the Company's reserve available for cash distribution as computed in accordance with the Companies Law of the Cayman Islands (2013 Revision), amounted to approximately RMB228,921,000.

Charitable Donations

Charitable donations made by the Group during the year amounted to RMB1,901,000.

Pre-Emptive Rights and Tax Relief

There is no provision regarding pre-emption rights under the Company's Article of Association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

Buy-Back, Sale or Redemption of the Company's Listed Securities

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries bought back, sold or redeemed any of the Company's listed securities.

Major Risks and Uncertain Factors

The operations and results of the Group are subject to the effects of various factors, some are specific to the dot-matrix printer sector and some are external. The following are the major risks and uncertain factors identified by the Group:

(a) Policy Risk

The sale of dot-matrix invoice printers is one of the principal businesses of the Group. The PRC State's taxation policies may affect the above-mentioned business of the Group, in particular the increasing use of electronic invoices which are further facilitated by the government, and the gradual implementation of electronic special value-added tax invoice among new taxpayers nationwide. In response to such risk, the Group actively developed cloud printing technologies with printing as its core technology and market starting point, focusing on developing inkjet printing technology. The Company has launched the continuous paper feeding inkjet printers, inkjet printers in red and black colors, electronic invoice cloud printer and electronic invoice self-service cloud printing terminal which are more suitable for electronic invoice printing. The Company developed "Jolimark Invoicing Platform" to support multipoint invoicing for electronic invoices and cloud invoicing interfaces.

(b) Macroeconomic Risk

The domestic macro-economy has been on a downward trend since 2015, which may lead to expenses tightening by the government or other sectors, and the demand in dot-matrix printers may decrease. In its future development plan, the Group has positioned itself as a cloud-based application service provider combining hardware and software. To this end, the Company will expand the application of printing devices, provide cloud printing application services and various tax control solutions, launch other new services, provide new retail solutions concerning software and hardware consolidation as well as online and offline integration, optimize product structures and marketing strategies and expand both domestic and overseas sales channels.

(c) Risk of New Business

Some of the Group's businesses such as new retail business (including Kamo Cash and membership system), cloud printing application, interactive education platform, POS all-in-one terminal and inkjet printers are new businesses or new products of the Group. Their successful launch or marketing will help the Company transform and upgrade, as well as open up new markets and win new customers. However, their development and prospects are affected by the development progress, technical difficulties and market factors which are subject to uncertainties.

(d) Risk of Supply Chain

To guarantee that the products are of high quality, the Group procures some highly sophisticated parts or chips from overseas, (amongst others) the quality, delivery schedule and the production capacity of the manufacturers of the relevant parts and components, and COVID-19 Outbreak may affect the product quality, production capacity and sales and the implementation of marketing strategies of the Group to a certain extent. The Group controls or reduces the supply chain risk that may exist by measures such as entering into quality guarantee agreement and procurement framework agreement with the suppliers, strengthening purchase of materials and production of planning management, stocking buffer inventories, enhancing communications with suppliers as well as enhancing administration and control over the quality of the manufacturing system.

(e) Risk of Competition

As online marketing becomes popular, together with the emergence of new small scale dot-matrix printer manufacturers, the competition of the dot-matrix printer sector which the Group operates has become more and more intensified and price competition among competitors and other marketing measures may affect the gross profit and market share of the products of the Group to certain extent. Therefore, the Group is required to continuously improve the core technology of the products, take advantage of cloud printer technology to expand the application of printing devices, develop new models suitable for industry sales, optimize suppliers resources, reasonably reduce procurement cost, enhance administration of the supply chain and product quality, increase investment in marketing activities, strengthen the administration of distribution channel and outlet terminals, increase industry-targeted marketing efforts, strengthen the cooperation with tax control service providers and the cooperation with e-commerce platforms such as JD.com and WeChat Mall as well as strengthen the development of Tmall store and Jolimark WeChat shop, thereby expanding sales in various channels and enhancing core competitiveness continuously, so as to maintain profitability at reasonable level and expand market shares.

(f) Market risk

The outbreak of the COVID-19 in China in the beginning of the year and its recurrence during winter, coupled with the uncontrollable overseas epidemics have resulted consumption restrictions, which exerted significant adverse impact on the development of the overall market economy, which would also cause certain impact on the Group's sales in the short term. The Group focuses on daily prevention and control, and develops or produces medical and health products to reduce the impact of the epidemic on the Group. However, certain uncertainties still exist due to the changes in the epidemic as well as the market.

There may be other risks and uncertainties which are not known to the Group or which may not be material now but could turn out to be material in the future.

Discussion on Environmental, Social and Governance Issues

Important Relationship

(i) Employee

Adhering to its "people-oriented" philosophy, the Group places much emphasis on knowledge, talents and innovations, and regards human resources as one of its greatest assets; and aligns the development of the Group with the personal career development of all employees. The Group intends to continue to be an attractive employer which provides a broad development platform and promotion pathway for employees.

We strive to motivate employees with a clear career development path and by offering desirable skills training opportunities and competitive remuneration system. We provide all-round orientation training, on-the-job training, and enhancement training, as well as adequate development opportunities for our employees. The training programmes cover practical skills, management skills, operation of management system, sales and production, customer service, quality control, exhibition planning, case analysis, standards and norms, work ethics, environment protection, occupational health and safety and other industry related training.

We have established a trade union and a number of staff clubs, which allocate special funds on a monthly basis to provide a wide variety of leisure and cultural activities to our employees. Free medical check-ups are provided annually for all employees on a regular basis, while pre-job, on-the-job and post-job health examinations are arranged for staff in specific positions. We have appointed an employee representative and set up a suggestion box to understand and collect feedback from employees, and enhanced the conditions of areas which employees are concentrated such as the dormitory, canteen and commuter shuttle bus. We care for our employees in every detail with an aim to enhance their sense of belonging to the Group. We conduct an employee satisfaction survey annually, and take seriously their valuable feedback on how to improve the work environment, enhance efficiency, create a harmonious workplace and so on. Our employee satisfaction scores in recent years are over 90 marks on average, and reached 90.5 marks in 2020.

In addition, we offer competitive remuneration for our employees. At the end of each year, we give year-end bonus to and raise the salary of our employees based on the performance of our operations. We have also adopted a share option scheme and an award system and assessment system of outstanding staff and management personnel, to recognize and reward those employees who have contributed to the growth and development of the Group.

(ii) Supplier

The Group has established long-term close relationship with a number of reputable suppliers with reliable quality, and we do our best to ensure such suppliers comply with our commitments in respect of quality, environmental protection, low carbon operation, safety and ethical conducts. We select our suppliers carefully and require them to meet a number of assessment indicators, including track record, experience, financial strength, and reputation, the capability to produce high quality products, quality control effectiveness, environmental protection and safety requirements. Onsite evaluations would be arranged as needed to verify if the suppliers meet our assessment standards. We also require our suppliers to comply with our anti-corruption policy. We are dedicated to maintaining a fair partnership which is mutually beneficial with our suppliers.

(iii) Distributor

The Group sells its products to end users through third party distributors. We work closely with our distributors to raise the standard of our brand value and customer service by compliance with contracts, credit and management practices, focusing particularly on reaching a mutually agreed approach to attracting and maintaining customers to promote sales growth.

We require distributors and sub-distributors to comply with our retail policy, including but not limited to a national standard retail price, unified store image, promotional activities, after-sale maintenance and so on.

(iv) Customer

The Group strives to offer different types of computer peripherals, cloud printing appliances and new products such as latte art machines and manicure machines with different specifications, competitive pricing, premier product quality and after-sale services and will also supply medical equipment products to customers. During the epidemic in 2020, we obtained the permit to produce disposable medical masks and medical surgical masks, contributing our efforts to fight against the epidemic and the products had passed the atomizer certification at the end of the year. We regard customer and public needs as our first priority and we seek to improve customer satisfaction. We also provide customized product design and technical support services. We maintain a VIP database and communicate with customers via different channels, such us our website, after-sales service hotline, mail, marketing materials and social media. We also work with distributors to provide trainings for their major frontline sales personnel to offer quality and value-added services to our end users at the retail stores. Besides, we concern the comments from end customers on e-commerce platforms in order to secure feedbacks about our products and services for improvement.

Environmental Protection Policy

The Group focuses on the preservation of natural resources and strives to create an environmentally-friendly work environment. The Group is committed to reducing its impact on the environment through reducing electricity consumption, water consumption, paper consumption, promoting the recycling of packaging materials, office supplies and other materials, and designing and selling products which have passed the environmental labeling certification and energy saving certification.

Our environmental management system has been certified to the ISO14001 standard, and the impact of environmental factors during the whole process of production and sales is under control. All wastes are properly disposed of and hazardous wastes are delivered to qualified recyclers. Strict emission control is also implemented on exhaust gas and domestic wastewater. Every year, a qualified cooperative manufacturer is engaged as testing agency to test the exhaust gas in order to ensure to comply with discharge standards. We have also established and realized our environmental goals, indicators and management plans.

All materials utilized for the renovation of the office building are environmentally-friendly. When introducing the central air-conditioning systems, we give priority to the purchase of advanced energy-saving ventilation equipment and facilities to implement the company's environmental protection philosophy. There is a large area of green space within the production facilities of the Group, which accounts for more than 40% of the total area. We also require our suppliers to strictly abide by the relevant environmental regulations and rules, and provide supervision and encouragement to them in the course of cooperation. We have obtained all the necessary permits and approvals from the relevant regulatory authorities in China.

Compliance with Laws and Regulations

The operations of the Group are primarily conducted by subsidiaries of the Company in Mainland China, and the Company is listed on the Stock Exchange. Therefore, the establishment and operations of the Group are subject to relevant laws and regulations of Mainland China and Hong Kong.

We will gather update information on relevant laws and regulations regularly, which cover issues concerning our products, quality, business management, environment, occupational health and safety, and undergo a compliance assessment to ensure full compliance.

For the year ended 31 December 2020 and as at the date of this annual report, the Group has complied with all relevant laws and regulations in Mainland China and Hong Kong that have significant impact on the operations of the Group.

Share Options

Pursuant to the share option scheme approved by a written resolution of all shareholders of the Company on 13 June 2005 (the "2005 Scheme"), the Company may grant to, amongst others, the Directors and employees of the Company and its subsidiaries, for the recognition of their contribution to the Group, options to subscribe for the Shares. According to the 2005 Scheme, the Board may, at its discretion, invite any eligible participants, including employees and directors, to take up options to subscribe for the Shares in the Company. The total number of Shares which may be issued upon the exercise of all options to be granted under the 2005 Scheme and any other scheme must not, in aggregate, exceed 10% of the number of Shares in issue as at the date dealings in the Shares first commence on the Stock Exchange unless further shareholders' approval had been obtained pursuant to the conditions set out in the 2005 Scheme. Subject to the requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), the total number of Shares that may be granted to a participant in any 12-month period must not exceed 1% of the issued share capital of the Company.

The offer for the grant of options ("Offer") must be taken up within 28 days from the date of offer, with a payment of HK$1.00 as consideration for the option. The exercise price of the share option will be determined at the higher of (i) the average closing price of Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of Offer; (ii) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; and (iii) the nominal value of the Shares. The total number of shares available for issue should be 50 million which is equivalent to 10% of the shares in issue when the 2005 Scheme was adopted by the shareholders. The share options are exercisable at any time during a period of no more than 10 years from the date of Offer, subject to the terms and conditions of the 2005 Scheme and any conditions of grant as may be stipulated by the Board. Unless terminated by the Company by resolution in general meeting, the 2005 Scheme shall be valid and effective for a period of 10 years commencing on the date on which the 2005 Scheme becomes unconditional. The 2005 Scheme has been terminated on 18 May 2015.

In the annual general meeting of the Company held on 18 May 2015, as the 2005 Scheme was due to expire on 26 June 2015, the shareholders approved to terminate the 2005 Scheme and adopted a new share option scheme (the "2015 Scheme"), which shall be valid and effective until 17 May 2025. The adoption of the 2015 Scheme and the termination of the 2005 Scheme will not in any way affect the terms of the options already granted under the 2005 Scheme, which will continue to be valid and subject to the terms of the 2005 Scheme. The total number of shares available for issue in the 2015 Scheme should be 60,481,950 which is equivalent to 10% of the shares in issue when the 2015 Scheme was adopted by the shareholders. Since adoption, 2,900,000 share options have been granted on 25 September 2020 under the 2015 Scheme.

The following table discloses movements in the Company's share options during the year under audit:

Capacity of the grantees	Date of grant	Exercise price HK$	Outstanding as at 1 January 2020	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 31 December 2020	Percentage of the issued share capital of the Company as at the date of this report	Exercise period
Employees	17 December 2014	1.70 (Note 2 and 3)	14,530,000	–	–	(750,000)	(13,780,000)	–	–	17 December 2015 to 17 December 2020 (Note 1)
Employees	15 May 2015	2.17 (Note 4 and 5)	11,890,000	–	–	(2,150,000)	–	9,740,000	1.59%	15 May 2016 to 15 May 2021 (Note 1)
Employees	25 September 2020	0.130 (Note 6 and 7)	–	2,900,000	–	–	–	2,900,000	0.47%	25 September 2021 to 25 September 2026 (Note 1)
Total			26,420,000	2,900,000	–	(2,900,000)	(13,780,000)	12,640,000	2.06%	

Notes:

1. The first 25% of the option can be exercisable at any time on and after the first anniversary of the date of grant. The next 25% of the option can be exercisable at any time commencing from the second anniversary of the date of grant. The third 25% of the option can be exercisable at any time commencing from the third anniversary of the date of grant. The remaining 25% of the option can be exercisable at any time commencing from the fourth anniversary of the date of grant.

2. The closing price immediately before the date of grant was HK$1.72.

3. The exercise price was determined by the Board and was fixed at HK$1.70 per share.

4. The closing price immediately before the date of grant was HK$2.17.

5. The exercise price was determined by the Board and was fixed at HK$2.17 per share.

6. The closing price immediately before the date of grant was HK$0.130.

7. The exercise price was determined by the Board and was fixed at HK$0.130 per share.

Directors

As at the date of this annual report, the Directors are as follows:

Executive Directors

Mr. Au Pak Yin *(Chairman)*
Mr. Au Kwok Lun *(Chief Executive Officer)*

Non-Executive Director

Mr. Ou Guo Liang

Independent Non-Executive Directors

Ms. Kan Lai Kuen, Alice
Dr. Zhong Xiaolin
Mr. Yeung Kwok Keung

Pursuant to Article 108(a) of the Articles of Association, at each of the annual general meeting, one third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every 3 years. Mr. Au Pak Yin, Mr. Yeung Kwok Keung and Dr. Zhong Xiaolin will hold office only until the coming annual general meeting of the Company to be held on Monday, 24 May 2021 (the "AGM"). Mr. Au Pak Yin and Mr. Yeung Kwok Keung, being eligible, will offer themselves for re-election at the AGM. Dr. Zhong Xiaolin, an independent non-executive Director, was appointed as an addition to the Board on 22 May 2020. Pursuant to Article 111 of the Articles of Association, Dr Zhong Xiaolin will also retire at the AGM and, being eligible, will offer himself for re-election at the AGM.

Indemnity and Insurance Provision

The Articles of Association of the Company provides that every Director shall be entitled to be indemnified out of assets of the Company against any liabilities, action, proceeding, claim, demand or expenses as a result of any act or failure to act in carrying out his functions.

The Company has also arranged appropriate directors and officers liability insurance in respect of legal action against Directors.

Directors' Interests in Competing Business

During the year ended 31 December 2020, none of the Directors nor their respective associates (as defined in the Listing Rules) had any interest in a business that competed or might compete with the business of the Group.

Directors' Service Contracts

Mr. Ou Guo Liang has entered into his service contract with the Company pursuant to which he was appointed as a non-executive Director for a term of three years with effect from 1 January 2021. Ms. Kan Lai Kuen, Alice has entered into her service contract with the Company for a term of 3 years commencing from 21 May 2019 and Dr. Zhong Xiaolin has entered into his service contract with the Company for a term of 3 years commencing from 22 May 2020. Mr. Yeung Kwok Keung and other Directors have renewed their service contracts with the Company for another term of 3 years commencing from 1 August 2020 and 13 June 2020, respectively. Save as above, none of the Directors had entered into a service contract with any member of the Group which does not expire or is not determinable within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Contracts

Save as disclosed under the heading "Connected Transactions", no contracts of significance in relation to the Group's business to which the Company, any of its fellow subsidiaries or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Director's Rights to Acquire Shares

Apart from the 2005 Scheme and the 2015 Scheme disclosed in the section headed "Share Options" of this annual report, at no time during the year under review was the Company, its holding company or any its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors, their respective spouse or minor children to acquire benefit by means of the acquisition of shares in, or debentures of, the Company or in any other body corporate.

Biographical Details of Directors and Senior Management

Brief biographical details of Directors and senior management are set out on page 24 to page 26.

Employees and Remuneration Policy

Retirement benefit plans

As stipulated by the rules and regulations in the PRC, the Group participates in the retirement benefit scheme operated by the relevant local government authorities. The Group is required to make contribution on behalf of its employees in the PRC in accordance with the relevant PRC regulations.

Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute 14% of the wages of the employees to fund the retirement benefits of the employees.

In Hong Kong, the Group has set up a retirement scheme according to the mandatory provident fund requirement prescribed by the Mandatory Provident Scheme Ordinance. All the Hong Kong based employees and the Group is required to contribute 5% of their respective monthly wages (up to a maximum contribution of HK$1,500 by each of the employee and the Group) on a monthly basis to the fund.

Disclosure of Interests

(a) Interests and short positions of the Directors and chief executive of the Company

As at 31 December 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set forth in Appendix 10 of the Listing Rules (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Company/Name of associated corporation	Capacity	Number of ordinary shares held (Note 1)	Percentage in the relative class of share capital (approx.)
Mr. Au Pak Yin ("Mr. Au")	Company	Interest in controlled corporation (Note 2)	445,027,533 (L)	72.61%
Mr. Au	Kytronics Holdings Limited ("Kytronics")	Beneficial owner	5 (L)	100%

Notes:

1. The letter "L" denotes the Director's long position in such securities.

2. 445,027,533 Shares were owned by Kytronics. The issued share capital of Kytronics is owned as to 100% by Kytronics Growth Limited, which in turn is 100% held by Au Pak Yin, Tai Noi Kit Family Holdings Limited, a company wholly-owned by Mr. Au. Mr. Au is therefore deemed to be interested in these shares by virtue of his interests in Kytronics pursuant to Part XV of the SFO.

Save as disclosed above, as at 31 December 2020, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO to be entered in the register referred to therein or which are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Substantial shareholders and other person's interest in the Shares

As at 31 December 2020, as far as is known to the Directors and the chief executive of the Company, the following persons (not being a Director or chief executive of the Company) had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Company/Name of associated corporation	Capacity	Number of ordinary shares held	Percentage in the relevant class of share capital (approx.)(Note 1)
Kytronics	Company	Beneficial Owner	445,027,533(Note 2)	72.61% (L)
Kent C. McCarthy	Company	Interest in controlled corporation	31,200,000(Note 3)	5.09% (L)

Notes:

1. The letter "L" denotes the person's long position in such securities.

2. 445,027,533 Shares were owned by Kytronics. The issued share capital of Kytronics is owned as to 100% by Kytronics Growth Limited, which in turn is 100% held by Au Pak Yin, Tai Noi Kit Family Holdings Limited, a company wholly-owned by Mr. Au. Mr. Au is therefore deemed to be interested in these shares by virtue of his interests in Kytronics pursuant to Part XV of the SFO. Ms. Tai Noi Kit is the spouse of Mr. Au. Accordingly, Ms. Tai Noi Kit is deemed to be interested in all the shares in which Mr. Au is interested.

3. 31,200,000 Shares were held by Jayhawk Private Equity Fund II, L.P. which is wholly-owned by Kent C. McCarthy.

Saved as disclosed above, the Directors and the chief executive of the Company are not aware of any person (other than a Director or chief executive of the Company) who, as at 31 December 2020, had any interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Management contracts

Save as disclosed under the heading "Connected Transactions", no other contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major suppliers and customers

During the year, the aggregate sales attributable to the Group's five largest customers represented approximately 31% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 15% of total sales. The aggregate purchases attributable to the Group's five largest suppliers during the year represented approximately 21% of the total purchases of the Group and the purchases attributable to the Group's largest supplier were approximately 5% of total purchases.

None of the Directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Connected Transactions

Details of the connected transactions entered into by the Group during the year are set out below:

	Actual transaction amount for the period from 1 January 2020 to 31 March 2020
	RMB'000
Continuing connected transactions	
(I) Supply agreements with Jiangmen Huasheng Industrial and Manufacturing Co., Limited ("Jiangmen Huasheng")	896

Notes:

(i) Guangdong Kong Yue Precision Industry Limited renamed as jiangmen Huasheng Industrial and Manufacturing Co., Limited on 25 December 2019.

(ii) During the period from 1 January 2020 to 31 March 2020, Jiangmen Huasheng was wholly-owned by Mr. Au Pak Yin ("Mr. Au"), an executive Director and the controlling shareholder of the Company. Jiangmen Huasheng is therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transaction contemplated under the Precision Agreements (defined hereunder) will constitute continuing connected transaction for our Company under Chapter 14A of the Listing Rules upon Listing. References were made to the announcement of the Company dated 6 April 2020, Mr. Au disposed all of his interests in Jiangmen Huasheng to an independent third party and the transaction contemplated under the Precision Agreements (defined hereunder) ceased to be continuing connected transactions of the Company from 1 April 2020. For further details, please refer to the announcement of the Company dated 6 April 2020.

(iii) Pursuant to the agreement entered into by Kong Yue Electronics & Information Industry (Xin Hui) Limited ("Kongyue Information"), a subsidiary of the Company, with Jiangmen Huasheng on 22 November 2019 (collectively referred to as the "Precision Agreements"), Jiangmen Huasheng agreed to supply plastic parts, components and molds to Kongyue Information from time to time as requested by the Kongyue Information. The annual cap of the transactions for the year ended 31 December 2020, in aggregate, is RMB18,072,000. The purchase prices for the plastic parts, components and molds supplied by Jiangmen Huasheng was determined after arm's length negotiations with reference to the prevailing market prices of similar or comparable products offered by Jiangmen Huasheng to independent third parties. The purchase prices will be settled by the Group on a monthly account basis.

(iv) Jiangmen Huasheng was no longer the Group's related party since 1 April 2020.

The aforesaid continuing connected transactions have been reviewed by the independent non-executive Directors. The independent non-executive Directors confirmed that the aforesaid continuing connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) have not exceeded the relevant annual maximum amount stipulated in the relevant agreement.

The auditor of the Company was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued his unqualified letter containing his findings and conclusions in respect of the aforesaid continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Several related party transactions as disclosed in Note 35 to the financial statements prepared in accordance with HKFRS fall under the definition of "continuing connected transaction" in Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 31 December 2020 and at any time up to the date of this annual report.

Model code for securities transactions

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. The Company has made specific enquiries with all Directors regarding any non-compliance with the Model Code during the year ended 31 December 2020 and all Directors confirmed that they have fully complied with the requirements set out in the Model Code during the year ended 31 December 2020.

Compliance with the corporate governance code

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strives to maintain a high corporate governance standard and has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 of Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") as in effect from time to time (the "CG Code") during the year ended 31 December 2020, save for the deviation from code provision E.1.2 below:

In accordance with the requirements of code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting of the Company. However, due to the ongoing restrictions on cross border travels and social distancing caused by COVID-19 epidemic and other business commitments, the chairman of the Board, Mr. Au Pak Yin, was unable to attend the annual general meeting of the Company held on 22 May 2020. Mr. Au Kwok Lun, an executive Director, acted as chairman at the annual general meeting.

Further information on the corporate governance practice of the Company will also be set out in the corporate governance report in the annual report of the Company for the year ended 31 December 2020.

Auditor

The financial statements have been audited by the auditor of the Company, PricewaterhouseCoopers, who, being eligible, will retire and offer themselves for re-appointment at the upcoming AGM.

On behalf of the Board
Au Pak Yin
Chairman

Hong Kong, 23 March 2021

Biographical Details of Directors and Senior Management

Directors

Executive Directors

Mr. Au Pak Yin, aged 74, is the chairman of the Company and a founder of the Group. He is in charge of corporate strategy and planning and the overall development of the Group. He has over 25 years of experience in distribution and manufacturing of business equipment in the PRC. Mr. Au first started to trade in Hong Kong in 1986 and in 1989, he began to engage in the trading of printers in the PRC. In 1997, Mr. Au and his family members commenced the production of SDM printers by establishing Kongyue Printing. The Group was founded by Mr. Au in 1998 through the establishment of Kongyue Information. Since June 2017, Mr. Au has served as the director of Jiangmen Palace International Food Co., Ltd. (江門麗宮國際食品股份有限公司), which was listed on National Equities Exchange and Quotations on 17 November 2017 (stock code: 872325). Mr. Au is an honorary citizen of Jiangmen. He is the father of Mr. Au Kwok Lun and Mr. Ou Guo Liang.

Mr. Au Kwok Lun, aged 48, is an Executive Director and the chief executive officer of the Company. He is primarily in charge of strategy execution and overall management of the Group. Mr. Au obtained a bachelor of arts degree in technical English from Huazhong University of Science & Technology in 1994 and a bachelor of business administration degree in information and system management from the Hong Kong University of Science & Technology in 1998. Prior to joining the Group in May 1999, Mr. Au Kwok Lun worked as a trainee engineer for Motorola Semiconductor Hong Kong Limited and assistant general manager of Kongyue Technology. He has over 15 years of operational experience in the distribution and manufacturing of business equipment in the PRC and has been overseeing the expansion of the Group. He is experienced in marketing and distribution, product development and supply procurement. Mr. Au is a standing member of the China Computer Industry Association, the Vice Chairman of the Printer Profession Committee of the China Computer Industry Association and a standing member of the China Computer Users Association and a standing member of the Printing and Image Display Application Sub-Committee of the China Computer Users Association, a member of the Executive Committee of Jiangmen Division, Pearl River Delta Industries Committee, Hong Kong Federation of Industries, and the Chinese People's Political Consultative Conference of Jiangmen City. In 2005, Mr. Au received the 2005 Young Industrialist Awards of Hong Kong from the Federation of Hong Kong Industries. Mr. Au Kwok Lun is the son of Mr. Au Pak Yin and the brother of Mr. Ou Guo Liang.

Non-Executive Director

Mr. Ou Guo Liang, aged 45, is a Non-Executive Director of the Company. Mr. Ou was the Executive Director of the Company since 2005. From 1 January 2021, Mr. Ou was re-designated from an Executive Director to a Non-Executive Director. Mr. Ou is also the director of Jolimark Technology Limited, an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong, and the legal representative of Jiangmen Kong Yue Jolimark Tax Control Services Limited, a non wholly-owned subsidiary of the Company established in the People's Republic of China. He has over 15 years of experience in sales and marketing. Mr. Ou obtained a bachelor of economics degree in international corporate management from the Central University of Finance and Economics (中央財經大學) in 1998. Mr. Ou joined the Group in November 1998. Since June 2017, Mr. Ou has served as the chairman of the board of Jiangmen Palace International Food Co., Ltd. (江門麗宮國際食品股份有限公司), which was listed on National Equities Exchange and Quotations on 17 November 2017 (stock code: 872325). Mr. Ou is the son of Mr. Au Pak Yin, current executive Director and chairman of the Company and the brother of Mr. Au Kwok Lun, current executive Director.

Independent Non-Executive Directors

Ms. Kan Lai Kuen, Alice, aged 66, was appointed as an Independent Non-Executive Director on 21 May 2019. Ms. Kan has over 25 years of experience in corporate finance and is well experienced in both the equity and debt markets. She has held various senior positions in international and local banks and financial institutions and is currently a controlling shareholder and the Managing Director of Asia Investment Management Limited, a licensed corporation under the Securities and Futures Ordinance (the "SFO"). Ms. Kan is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Directors and the Australian Society of Certified Practising Accountants, and an associate member of the Hong Kong Institute of Certified Public Accountants. She is also a licensed responsible officer under the SFO.

Ms. Kan currently also serves as independent non-executive director for several listed companies on the Stock Exchange, namely, Cosmopolitan International Holdings Limited (stock code: 120), Regal Hotels International Holdings Limited (stock code: 78), Shimao Property Holdings Limited (stock code: 813), and Shimao Services Holdings Limited (stock code: 873).

Ms. Kan was an independent non-executive Director of Shougang Concord International Enterprises Company Limited (stock code: 697) between September 2004 and May 2018, China Energine International (Holdings) Limited (stock code: 1185) between January 2008 and February 2020, and Mason Group Holdings Limited (stock code: 273) between May 2017 and November 2019. Between April 2011 and April 2020, Ms. Kan was an independent director of AVIC International Maritime Holdings Limited, a company listed on the Catalist Board of the Singapore Stock Exchange.

Dr. Zhong Xiaolin, aged 56, was appointed as an Independent Non-Executive Director on 22 May 2020. Dr. Zhong is currently the chairman of Shenzhen Turing Capital Management Co., Limited and the founding partner of Shenzhen Turing Venture Capital LLP. He is also a member of the Investment Committee of Ningbo Golinx Equity Investment LLP, a venture capital under the National Guidance Fund for Technology Transfer and Commercialisation. From 2005 to 2017, he served as the executive director and a general partner of TDF Capital LLP. From 2007 to 2011, he served as the founding managing partner of KPCB China Fund, which is the China fund of Kleiner Perkins Caufield & Byers (KPCB), a prominent venture capital firm in Silicon Valley, United States. Dr. Zhong has over 20 years of experience in overseas and domestic investment of venture capital and private equity institutions. Dr. Zhong was named in the Midas List by *Global Entrepreneur & China Venture* in 2007, and was selected as one of the best venture capitalists in China by Forbes from 2008 to 2017 consecutively.

Dr. Zhong received his bachelor's and masters' degrees in mechanical engineering & automation from Huazhong University of Science and Technology in 1986 and 1989, respectively, a Ph.D. degree in Robotics & Artificial Intelligence from Edinburgh Napier University, Scotland, UK in 1996, and his M.B.A. from the Ivey School of Business at the University of Western Ontario, Canada in 2003. In 2010, Dr. Zhong completed the Stanford Executive Program (SEP) at the Graduate School of Business (GSB) of Stanford University, United States.

Dr. Zhong serves currently as an independent non-executive director on the boards of Shenzhen Hifuture Information Technology Co., Ltd. (深圳市惠程信息科技股份有限公司) (SZ: 002168), and Brilliance Technology Co., Ltd. (新晨科技股份有限公司) (SZ: 300542), both companies listed on the Shenzhen Stock Exchange. He is also an independent non-executive director of Beijing WatchData Co., Ltd.

Mr. Yeung Kwok Keung, aged 73, was appointed a non-executive director of the Company on 1 August 2011 and assumed the role of an Independent Non-Executive Director since 21 October 2013. He was involved in information technology, logistics and venture capital investment until his retirement in 2008. As a Distinguished Fellow of the Hong Kong Computer Society, Mr. Yeung had also served as its President. He was also the Chairman of the Information Technology Committee of the Hong Kong SAR Government.

Mr. Yeung participated broadly in public and community services, and served on professional bodies for many years. He had also served on a variety of high level advisory bodies in academia, industry and the government. He was a member of Hong Kong Productivity Council, Hong Kong Vocational Council and Hong Kong Logistics Council.

He is a Justice of the Peace in Hong Kong and an honorary citizen of Changchun.

Save as disclosed otherwise, there is no relationship (including financial, business, family or other material/relevant relationship) between any members of the Board.

Senior Management

Mr. Liang Qi Jiang is the Vice President and General Manager of the Group's information equipment business division. He is responsible for the development and production of printer products. Mr. Liang graduated from Huazhong Polytechnic (華中工學院) (now known as Huazhong University of Science & Technology (華中科技大學). Mr. Liang has over 20 years of experience in the research and development and production management of printers. Mr. Liang joined the Group in August 1996.

Mr. Sng Seng Poh is the Senior Director for the Group's engineering and quality control operations. He is responsible for the products quality and reliability operations activities of Jolimark machines and suppliers chain quality. In March 1990, Mr. Sng obtained the Diploma in Business Efficiency & Productivity (Production Management) from NPB Institute for Productivity Training in Singapore. Mr. Sng has over 20 years of experience in production management of SMT. Before joining the Group, Mr. Sng has worked for Richgold Industries Pte Limited in Singapore. Mr. Sng joined the Group in December 1998.

Corporate Governance Report

The Company has adopted and complied with all the code provisions as set out in the Corporate Governance Code during the year ended 31 December 2020, save as disclosed below.

In accordance with the requirements of code provision E.1.2 of the Corporate Governance Code, the chairman of the Board should attend the annual general meeting of the Company. However, due to the ongoing restrictions on cross border travels and social distancing caused by COVID-19 epidemic and other business commitments, the chairman of the Board, Mr. Au Pak Yin, was unable to attend the annual general meeting of the Company held on 22 May 2020. Mr. Au Kwok Lun, an executive Director, acted as chairman at the annual general meeting.

The following summarises the Company's corporate governance practices and explains deviations, if any, from the Corporate Governance Code.

Directors' Securities Transactions

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. The Company has made specific enquiries with all Directors regarding any non-compliance with the Model Code during the year ended 31 December 2020 and all Directors confirmed that they have fully complied with the requirements set out in the Model Code during the year ended 31 December 2020.

Board of Directors

As at 31 December 2020, the Board comprises three Executive Directors, being Mr. Au Pak Yin, Mr. Au Kwok Lun and Mr. Ou Guo Liang and three Independent Non-Executive Directors, being Ms. Kan Lai Kuen, Alice, Dr. Zhong Xiaolin (appointed on 22 May 2020) and Mr. Yeung Kwok Keung. From 1 January 2021, Mr. Ou Guo Liang was redesignated from an Executive Director to a Non-Executive Director. Mr. Au Kwok Lun and Mr. Ou Guo Liang are the sons of Mr. Au Pak Yin. The Directors are considered to have a balance of skills and experience appropriate for the requirements of the business of the Company. Details of the Directors are shown on pages 24 to 26 of this annual report.

During the year ended 31 December 2020, four board meetings and one general meeting were held and the attendance was as follows:

Name of Director	General meeting attendance	Board meeting attendance
Executive Directors		
Mr. Au Pak Yin	0/1	4/4
Mr. Au Kwok Lun	1/1	4/4
Mr. Ou Guo Liang	0/1	4/4
Independent Non-Executive Directors		
Ms. Kan Lai Kuen, Alice	1/1	4/4
Mr. Meng Yan *(retired on 22 May 2020)*	0/1	2/2
Dr. Zhong Xiaolin *(appointed on 22 May 2020)*	0/1	2/2
Mr. Yeung Kwok Keung	1/1	4/4

All of the above Directors had participated in continuous professional development to develop and refresh their knowledge and skills.

The Company has a formal schedule of matters specifically reserved to the Board and those delegated to management. There is a clear division of responsibilities amongst committees and each of them has a specific term of reference. The Board is responsible for determining the overall strategy and approving the annual business plan of the Group, and ensuring the business operations are properly planned, authorised, undertaken and monitored. All policy matters of the Group, material transactions or transactions where there is conflict of interests are reserved for the Board's decisions.

The Board has delegated the day-to-day responsibilities to the executive management.

Chairman and Chief Executive Officer

Mr. Au Pak Yin has been appointed by the Board as the Chairman, who is responsible for the leadership and effective running of the Board, and ensuring that all key and appropriate issues were discussed by the Board in a timely and constructive manner.

Mr. Au Kwok Lun has been appointed by the Board as the Chief Executive Officer, who is delegated with the responsibilities of operations, business development, investor relations and public relations of the Group. The Board also comprises Independent Non-Executive Directors who bring strong independent judgement, knowledge and experience to the Board. As noted under the paragraph headed "Audit Committee" of this annual report, all the Audit Committee members are Independent Non-Executive Directors. This structure is to ensure a sufficient balance of power and authority in place within the Group.

Independent Non-Executive Directors

Mr. Yeung Kwok Keung has been re-appointed for another three-year term on 1 August 2020. Ms. Kan Lai Kuen, Alice and Dr. Zhong Xiaolin have been appointed for three-year terms on 21 May 2019 and 22 May 2020 respectively.

The Board also confirmed receipt of the annual confirmation letter from each of the Independent Non-Executive Directors confirming his independence for the year ended 31 December 2020.

Remuneration Committee

The Board has established a Remuneration Committee ("RC"). The RC comprises Mr. Yeung Kwok Keung (Chairman), Dr. Zhong Xiaolin (appointed on 22 May 2020), Ms. Kan Lai Kuen, Alice and Mr. Meng Yan (retired on 22 May 2020), who are all Independent Non-Executive Directors and Mr. Au Kwok Lun who is an Executive Director. During the year ended 31 December 2020, the RC had reviewed and made recommendations to the Board on the remuneration packages of the Directors and senior management.

For the year ended 31 December 2020, the RC held two meetings. The attendance record of each member is as follows:

Name of Director	Attendance
Mr. Yeung Kwok Keung *(Chairman of RC)*	2/2
Mr. Meng Yan *(retired on 22 May 2020)*	1/1
Ms. Kan Lai Kuen, Alice	2/2
Mr. Au Kwok Lun	2/2
Dr. Zhong Xiaolin *(appointed on 22 May 2020)*	1/1

The principal responsibility of the RC is to determine the remuneration of the Directors and members of the senior management.

Nomination Committee

The Board has established a Nomination Committee ("NC"). The NC comprises Ms. Kan Lai Kuen, Alice (Chairman), Mr. Meng Yan (retired on 22 May 2020), Dr. Zhong Xiaolin (appointed on 22 May 2020) and Mr. Yeung Kwok Keung, who are all Independent Non-Executive Directors. During the year ended 31 December 2020, NC had reviewed the structure, diversity and composition of the Board, and put forward recommendation to the Board on re-election of retiring directors and appointment of director.

For the year ended 31 December 2020, the NC held three meetings. The attendance record of each member is as follows:

Name of Director	Attendance
Ms. Kan Lai Kuen, Alice *(Chairman of NC)*	3/3
Mr. Meng Yan *(retired on 22 May 2020)*	2/2
Dr. Zhong Xiaolin *(appointed on 22 May 2020)*	1/1
Mr. Yeung Kwok Keung	3/3

The Board adopted a board diversity policy setting out the approach to diversify members of the Board. The Company believes that a diversified perspective can be achieved through considering a number of factors, including but not limited to skills, regional and industry experience, background, race, gender and other qualities. The Company will also take into account factors based on its own business model and specific needs from time to time. Board appointments will continue to be made on a merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board.

The NC will review the board diversity policy on a regular basis to ensure its continued effectiveness.

Auditor's Remuneration

PricewaterhouseCoopers had been appointed as the auditor of the Group. During the year ended 31 December 2020, fee for audit services (including review on interim results) was RMB1,400,000 and fee for non-audit services was RMB40,000.

Audit Committee

The Board establishes a formal and transparent arrangement for considering how it applies the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors. The Audit Committee ("AC") established by the Company has clear terms of reference. The Company confirmed receipt of acknowledgement from all directors of their responsibility for preparing the accounts.

All the members of the AC are Independent Non-Executive Directors. The AC is chaired by Ms. Kan Lai Kuen, Alice who is a certified public accountant and the committee members are Mr. Meng Yan (retired on 22 May 2020), Dr. Zhong Xiaolin (appointed on 22 May 2020) and Mr. Yeung Kwok Keung.

The functions specified in Code Provision C.3.3(a) to (n) of the Corporate Governance Code were included in the Terms of Reference of the AC. The Terms of Reference of the AC also explains the role and the authority delegated by the Board.

During the year, the AC also performed the Company's corporate governance function and reviewed related policy and made recommendation to the Board.

Two meetings were convened by the AC during the year ended 31 December 2020. The attendance record of each member is as follows:

Name of Director	**Attendance**
Ms. Kan Lai Kuen, Alice *(Chairman of AC)*	2/2
Mr. Meng Yan *(retired on 22 May 2020)*	1/1
Dr. Zhong Xiaolin *(appointed on 22 May 2020)*	1/1
Mr. Yeung Kwok Keung	2/2

During the year ended 31 December 2020, the AC discussed and reviewed the final results of 2019 and interim results of 2020 and other reports for the year. Also, the AC met with the external auditor to discuss auditing and internal control matters.

Board Nomination Policy

The Nomination Committee endeavours to ensure the Board of directors has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and in order for the Board to be effective. In order to fulfill the requirements, formal and transparent procedures for the selection, appointment and re-appointment of Directors should be formulated.

The Nomination Committee has primary responsibility for identifying suitably qualified candidates to become members of the Board and making recommendations to the Board and thereafter shareholders of the Company for election as Directors at general meetings or appoint Directors to fill casual vacancies.

Criteria for the nomination of a Director

Board appointments will be made on a merit basis and candidates will be considered against objective criteria. The selection criteria used in assessing the suitability of a proposed Director (the "Candidate") are listed below:

i. the Candidate's academic background and qualifications (including professional qualifications, skills and knowledge which are relevant to the Company's business and corporate strategy);

ii. the Candidate's relevant experience in the industry;

iii. the Candidate's character and integrity;

iv. the Candidate's willingness and capacity to devote adequate time commitment in discharge of a director's duties;

v. whether the Candidate can contribute to the Board a diversity of perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;

vi. (where the Candidate is proposed to be appointed as an independent non-executive Director) whether the Candidate is in compliance with the criteria of independence under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; and

vii. any other factors as may be determined by the Board from time to time.

Board Diversity Policy

The Board adopted a board diversity policy pursuant to the CG Code. The Company recognises and embraces the benefits of diversity of Board members. The Board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company business. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria, having regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, which would include but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Dividend Policy

The Company considers stable and sustainable returns to the shareholders of the Company to be the goal. The Dividend Policy, in the consideration of the dividends payment, is to allow the shareholders to participate in the Company's profits whilst retaining adequate reserves for the Group's future growth.

The declaration, payment, and amount of dividends will be subject to the Board's discretion. Dividends may be paid out of the distributable reserves of the Company as permitted under the relevant laws. There can be no assurance that the Company will be able to declare or distribute any dividend in the amount in any specific periods. The Company's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

The payment and the amount of any dividends will depend on a number of factors, including but not limited to:

(i) the Group's actual and expected financial performance;

(ii) the retained earnings and distributable reserves of the Company and each of the members of the Group;

(iii) the Group's working capital requirements, capital expenditure requirements and future expansion plans;

(iv) the Group's liquidity position;

(v) the general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group;

(vi) the applicable laws and regulations including the Companies Law of the Cayman Islands and the Company's Bye-laws; and

(vii) any other factors that the board of directors of the Company deems relevant.

The Dividend Policy will be reviewed from time to time by the Board.

Directors' Training

Pursuant to A.6.5 of the Corporate Governance Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. From time to time, Directors are provided with written materials and director training webcasts to develop and refresh their professional skills. The Directors had fulfilled the relevant requirements under A.6.5 of the Corporate Governance Code during the year.

Company Secretary's Training

Pursuant to rule 3.29 of the Listing Rules, the Company Secretary must take no less than 15 hours of relevant professional training in each financial year. The Company Secretary confirmed that he has taken no less than 15 hours of relevant professional development training by means of attending seminars and reading relevant guideline materials.

Directors' Responsibility in Preparing Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Year. The Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates. The Board is responsible for presenting a balanced, clear and understandable assessment in annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

Internal Control and Risk Management

The Board is entrusted with the overall responsibility for establishing and maintaining the Group's internal control and risk management systems and reviewing their effectiveness. The Group's internal control system has been designed for safeguarding assets, maintaining proper accounting records and ensuring reliability of the financial information. The Board has conducted a review of the effectiveness of the internal control and risk management systems of the Group which covers all material controls, including operational, financial and compliance controls and risk management functions. The internal audit department of the Company is implementing a procedure to review the major operational, financial and compliance controls and risk management functions of the Group on a continuing basis which aims to cover all major operations of the Group on a rotational basis. The Group also performs periodic review to ensure that resources, staff qualifications and experience of internal audit functions are adequate.

The Group's risk management framework includes the following elements:

- identify significant risks in the Group's operation environment and evaluate the impacts of those risks on the Group's business;
- develop necessary measures to manage those risks;
- monitor and review the effectiveness of such measures.

The implementation of risk management framework of the Group was assisted by the Group's internal audit department so that the Group could ensure new and emerging risks relevant to the Group's operation are promptly identified by management, assess the adequacy of action plans to manage these risks and monitor and evaluate the effectiveness of the action plans. These are on-going processes and the AC reviews periodically the Group's risk management systems.

Based on the reports from the Group's internal audit department, the Board considers the Group's risk management and internal control system is adequate and effective and the Group has complied with the provisions on risk management and internal controls as set out in the Corporate Governance Code.

Shareholders' Rights

Extraordinary general meetings shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders may send their enquiries and concerns to the Board by addressing them to the company secretary of the Company by mail at Unit 07, 21/F., K. Wah Centre, 191 Java Road, North Point, Hong Kong or by email at investor@jolimark.com. The Company Secretary forwards communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and customer complaints, to the chief executive officer of the Company.

Investor Relations

There are no significant changes in the Company's constitutional documents during the year.

Introduction

This is the environmental, social and governance (the "ESG") report (the "ESG Report") of Jolimark Holdings Limited (the "Company" and together with its subsidiaries, the "Group") for the year ended 31 December 2020.

The Company believes that this ESG Report enables the Company to convey the Group's sustainability related matters in a transparent and accountable manner, which is key to gaining the trust of its stakeholders. The Group is committed to making continuous contributions to the sustainable development in China and overseas, and fulfilling corporate social responsibilities at various operational levels. This ESG Report provides an overview of the Group's performance related to sustainable development in the areas of the environment, community, employment, labour practices and operation convention for the year ended 31 December 2020.

Since our incorporation, the Group has been striving for excellence. In addition to constantly improving its performance and developing in a sustainable manner, the Group is highly concerned about the protection of employee rights and the environment, and is dedicated to giving back to the society and promoting self-improvement of employees. By incorporating social responsibilities into its development and long-term planning, the Group seeks to promote the mutual benefits among the economy, society, and environment, as well as comprehensive sustainable development.

Governance Framework

The Board of the Group states that the Board meeting is held on a regular basis to listen to the reporting of ESG issues disclosed by the Company and supervise the relevant matters.

The ESG management policies of the Company are to: protect the environment and emphasise safety production; conserve energy and reduce emissions to lower risks; put people first and safeguard health; encourage all-staff participation and comply with regulations; improve our system and strengthen the management; prioritise prevention and propel continuous improvement.

The Company has identified factors that can control and exert an influence on the environment in terms of activities, products and services, as well as their associated environmental impact, hazardous sources and their associated detriment.

When identifying the environmental factors, the Company considers the following situations:

(a) changes including planned or new development, as well as new or changed in activities, products and services;

(b) abnormal conditions and emergencies that can be reasonably foreseen.

The Company uses the established standards to evaluate and determine those key environmental factors that have or will have a significant impact on the environment. The Company has formulated control plans and measures to effectively regulate these significant environmental factors, and communicates the related information among different levels and functionalities.

When identifying hazardous sources and occupational health impact, the Company considers the following situations:

(a) how the work is organized, social factors (including workload, working hours, sacrificing others, harassment and bullying), leading role and corporate culture;

(b) usual and unusual activities and conditions, including hazardous sources and occupational health impact as a result of the following aspects;

(c) the previous relevant events within or outside the Company, including emergencies and their causes, as well as potential contingencies;

(d) personnel, including considering the followings:

   (1) those who can access to the workplace and their activities, including employees, contractors, visitors and others;

   (2) those nearby the workplaces that can be affected the Company's activities;

   (3) employees who are not under the direct control of the Company;

(e) the actual or proposed changes in (regarding) the Company's operation, process and activities;

The Company sets the ESG related targets, indicators and management plans, and periodically reviews the achievement of the corresponding targets and indicators on a quarterly basis and prepare the written report.

The Company's main ESG related targets are as follows: electricity consumption of different types of products per unit; all printer products of the Company have obtained level I energy efficient label; all printer products of the Company have obtained environmental label certification; water consumption of the Company decreases by 5% as compared with last year; all hazardous wastes of the Company are delivered to a qualified recycler for recycling; zero complaint/penalty by the government or community. The aforesaid targets are pertaining to the results and sustainable development of the Company.

Reporting Principles and Reporting Scope

Reporting Principles

The preparation of the Report follows the materiality, quantitative, balance and consistency reporting principles.

I. Materiality

The disclosed information in the Report was carefully gathered, evaluated and presented based on its materiality to the Group's business and its stakeholders.

II. Quantitative

All of the disclosed information, statistics of environmental and social KPIs in particular, were organised and calculated according to a series of standardised methodologies which are illustrated in the relevant sessions.

III. Balance

A picture of the data comparison over years has been given for readers who can see both the achievements and rooms for improvement in terms of ESG management in the Group.

IV. Consistency

The Report has been prepared in the same way in terms of scope and methodology when compared to those in previous years.

Reporting Scope

This ESG Report provides an overview of the Group's performance related to sustainable development in the areas of the environment, community, employment and labour practices and operation convention, ESG management approach, environmental and social performance, as well as material issues within the scope of business for the year ended 31 December 2020. Mandatory disclosures cover entities and their manufacturing facilities that generate the major revenue of our principal activities (investment holding, manufacturing and logistics agent in PRC, Hong Kong and Taiwan).

Business Operations	Operating Locations	Companies
Manufacturing of printers and other products	Jiangmen, the PRC	Kong Yue Electronics & Information Industry (Xinhui) Limited
Logistics agent	Hong Kong, the PRC	Xin Yue Logistics Limited
Research and development of the inkjet print heads	Taiwan, the PRC	Advanced Inkjet Systems Limited
Research and development of network application	Shenzhen, the PRC	Shenzhen Yingmei Kamo Internet Limited

Environment

Aspect A1: Emissions

The Group produced a small amount of waste gas only in the welding sequence during the production process and is discharged after high-altitude concentrated treatment through pipeline in the exhausting system. The waste gas comprises mainly particles and contains no NOx, SO2 and other pollutants restricted by laws and regulations of the PRC, nor does it contain any greenhouse gas.

The Group periodically engages qualified cooperative factories to monitor waste gas from production each year. According to the 2020 Waste Gas Monitoring Results, the emission intensity of particles was <20 mg/m^3, far lower than the emission standard of 120 mg/m^3, and the emission rate of particles was <0.112 Kg/h, far lower than the emission standard of 3.3 Kg/h (2019: the emission intensity of particles was <20 mg/m^3; the emission rate of particles was 0.08 Kg/h); while the emission intensity of non-methane hydrocarbon was 9.98 mg/m^3, far lower than the emission standard of 120 mg/m^3, and the emission rate of non-methane hydrocarbon was 6.06*10-2 Kg/h, far lower than the emission standard of 12 Kg/h (2019: the emission intensity of non-methane hydrocarbon was 10.2mg/m^3; the emission rate was 4.46*10-2 Kg/h).

No waste water is produced during our production process, and therefore relevant disclosure is not applicable to the production business. The domestic waste water is discharged to the local municipal drainage system after undergoing septic tank treatment. In 2020, the Group engaged qualified cooperative factories to monitor domestic waste water with the following results: PH scale: 7.29; suspended particles:14 mg/L (emission standard: 100 mg/L); 5-day biochemical oxygen demand: 23 mg/L (emission standard: 30 mg/L); chemical oxygen demand: 73 mg/L (emission standard: 110 mg/L); petroleum type: 0.18 mg/L (emission standard: 8 mg/L). All the said indicators reached the emission standard (note: no test in 2019). Total domestic waste water discharge in 2020 amounted to 43,790 tonnes, decreased by 3,208 tonnes (total discharge of domestic waste water in 2019 amounted to 46,998 tonnes).

The Group produces only a small amount of hazardous waste in the production/office processes, mainly including scrap electric circuit board and waste printing ribbon. In 2020, 3.9 tonnes of hazardous waste (2019: 4.29 tonnes) were produced, representing a decrease of 0.39 tonnes as compared with last year, all of which were delivered to a qualified professional recycling agency for disposal and submitted to government authorities for approval as required.

Furthermore, the Group endeavored to promote employees' awareness regarding waste recycling and classification and placed recycling cans in living as well as production areas to increase the recycle rate of non-hazardous waste. In 2020, 136.6 tons of non-hazardous waste (2019: 147 tonnes) were produced, representing a decrease of approximately 10.4 tonnes as compared with last year. Non-hazardous waste mainly comprised packaging materials, cardboard boxes, foam sponges and small amount of domestic wastes, all of which with recovery value were delivered to a qualified waste recyclers for recycling.

The Company sets the control target of reducing water consumption and production of hazardous waste/non-hazardous waste both by 5% as compared with last year. The general affairs department of the Company is in charge of formulating a series of water saving and waste reducing measures, strengthen daily monitoring and supervision, as well as rapid follow-up and reaction mechanism after water leakage, and conduct a review every quarter regarding its fulfillment, so as to ensure the fulfillment of corresponding targets.

The Group has formulated the Waste Treatment Measures to carefully distinguish and handle general waste, hazardous waste, and recyclable and reusable waste produced during the production process at the source of production lines. The Group also provides relevant training for employees to ensure that waste is properly classified and collected for the reuse and comprehensive treatment of recyclable substances. Suppliers who cooperate with us are directed and encouraged to recycle packaging waste with recovery value. The Group requests the suppliers who can use plastic baskets as packaging materials to try to use plastic baskets in order to reduce the production of packaging waste.

In 2020, the Group did not discover any material breach of laws and regulations in relation to the environment.

Aspect A2: Use of Resources

The Group is committed to making good use of resources and reducing resource consumption during its operation. The Group has formulated the Energy and Resource Management Measures as well as the Cooling System Control and Maintenance Measures to regulate the management and control of power, water, paper, oil, and raw materials. Also, the Group vigorously promotes and advocates the idea of energy conservation and consumption reduction among all employees and has implemented and reviewed the energy conservation and consumption reduction measures and assessed their effectiveness throughout the whole business process. The Group attaches particular importance to the control of resource usage starting from the stage of design and development, and all of its products have passed the national grade-I energy-saving certification and environmental label certification. While guaranteeing the quality of products, the Group also endeavors to achieve rational use of resources by reducing the use of raw materials for the repair of machines or enhancing maintenance capacities of parts and components and improving the recycling efficiency of materials through the ways of design enhancement and design optimization.

The Group does not use/consume coal resources directly during the production and operation process. In 2020, the Group consumed 1,128.3 mWh of electricity for production (2019: 953 mWh), increasing by 175.3 mWh as compared with last year. The increase was mainly due to the newly added cleaning workshop for producing disposable medical masks in 2020 to meet the needs of anti-epidemic by the government due to the COVID-19 pandemic. The cleaning workshop consumed a larger amount of electricity than general production workshop, with annual electricity consumption reaching 209 mWh. The electricity consumption per unit of production volume in 2020 amounted to 35.15 kWh/ten thousand yuan (2019: 29.69 kWh//ten thousand yuan). The increase in the electricity consumption per unit of production volume was also primarily attributable to the production of disposal mask products, with the electricity consumption per unit of production volume reaching 213.3 kWh/ten thousand yuan. Excluding disposal medical mask products, the electricity consumption per unit of production volume in 2020 amounted to 29.65 kWh/ten thousand yuan (2019: 29.69 kWh/ten thousand yuan), which was basically unchanged.

Targeting at different product types and seasonal effects, the Company has formulated differentiated electricity consumption targets, for instance, electricity consumption of each printer is ≤0.48 kWh (the first, fourth quarter) and ≤0.78 kWh (the second, third quarter), and the average annual electricity consumption is ≤0.63 kWh. The electricity consumption of each printer head is ≤0.21 kWh (the first, fourth quarter) and ≤0.35 kWh (the second, third quarter), and the average annual electricity consumption is ≤0.28 kWh. The Company keeps equipment running during short break, lunch break and adopts staff rotation to reduce the idle time of production line equipment. It arranges plan reasonably to prevent the increase in equipment waiting time that arise from non-scheduled or frequent line switching. It gradually phases out the equipment with high energy consumption and encourages less use or non-use of air-conditioners when a few staff work overtime and uses electric fans instead.

Household and auxiliary electricity consumption was 422 mWh (2019: 352 mWh), increased by 70 mWh as compared with last year. The increase was mainly due to the use of central air conditioners in a newly added office building of the Company.

Although the Group did not use water for production and our domestic water consumption is mainly used for staff drinking, central air conditioning consumption, greening, fire pool evaporation, cleaning and toilet flushing. The water consumption for 2020 was 43,790 tonnes (2019: 46,998 tonnes), decreased by 3,208 tonnes as compared with 2019. The Group had no problem in sourcing water that is fit for use, amid insignificant fluctuation in annual domestic water consumption although there is some up and down subject to staff headcount and climate temperature. The Group formulated the target of reducing water consumption by 5% as compared with last year and fostered water-saving habits mainly through promotion of staff awareness of water-saving. The Group endeavored to improve by using water-saving faucets and preventing water dripping in order to achieve the effect of water-saving.

The Group does not use coal or natural gas in our production. Only two industrial forklifts use diesel or occasionally when the utility power is off, the standby generator uses diesel to generate electricity. In addition, the Company has several small-displacement vehicles that use gasoline for official business needs. Mobile forklifts are only used for handling, loading and unloading goods in the factory. In 2020, the consumption of diesel was only 1,200 litres (2019: 3,152 litres), and the significant decrease in consumption was mainly due to the fact that no generators were used for power generation in 2020. The use of official cars is accounted for business use of business trips of employees and reception of guests only, with strict control measures and approval procedures. In 2020, the consumption of gasoline was 26,200 litres (2019: 40,848 litres), and the significant decrease in the consumption was mainly due to the reduction in cross-city business travel affected by the epidemic.

In 2020, the Group consumed 368 tons of various packaging materials for product packaging (2019: 376 tons). The Group continued to strengthen the packaging by laminating the exterior packaging materials of all products, thereby reducing one layer of inner packaging box for each product. This helped us reduce approximately 200 tonnes of packaging box materials throughout the year.

Aspect A3: Environment and Natural Resources

The Group consciously takes the impact of its activities and decisions on the environment into overall consideration. The Group has established, promoted and improved its environmental management system and environmental label product management system, strengthened various internal control measures, reinforced environmental monitoring and inspection and implemented strict environmental risk prevention and control measures so as to minimize the impact on the environment and natural resources during its production and operation process.

The Group also reduced the use of electricity and paper, encouraged its employees/suppliers to recycle packaging materials, office supplies and other materials to reduce the consumption of natural resources indirectly, and optimized design to reduce consumption of raw materials. All of the Group's products obtained environmental label certification and energy saving certification and all printer products reached national level I energy efficient standard.

The Group eliminated the previously rented petrol buses and replaced them with electric buses, which serve as commuting vehicles for employees to commute to and from work, and encouraged employees to take public vehicles of the Company instead of private cars, so as to reduce the impact on the environment and the consumption of natural resources.

Aspect A4: Climate Change

The Group attaches great importance to fire safety work and has established the Safety Committee to perform regular safety inspections, equipped with necessary fire-fighting devices, conduct fire safety training and drills to lower the occurrence of fire hazards, so as to prevent air pollution incidents caused by fire accidents. The Group emits greenhouse gases in the production, life and operation process, and reduces the harmful impact on the climate through the use of energy-saving central air conditioners, environmental refrigerators, LED lights, energy-saving electric buses, and new fire extinguishers.

The Group also pays its best attention to the greening of plants on its factory premises. A large area of vegetation such as turf and trees was presented around its factory premises. Green plants were grown on the public platform of the plants, and implementation of greening around the newly renovated office building was also done. The Group regularly trimmed and watered the vegetation, and rectified and replanted trees which were blown down by typhoons to increase the green area and expand the coverage ratio of plants on its factory premises. These measures helped have a good impact on the environment.

Society

Aspect B1: Employment

The Group strictly abides by the provisions of the PRC Labor Law, and has not violated the relevant rules and regulations. The Group has signed a labor contract with each of its employees, and paid the salaries, overtime compensations and related benefits in a timely manner according to (or at a level higher than) the local minimum wage standard without any defaults; and granted all holiday and statutory paid leave entitlements to employees in compliance with national regulations. The Group treats every employee equally so that their employment, remuneration or promotion will not be affected by their social identities such as ethnicity, race, nationality, gender, religion, age, political faction and marital status.

The following table sets out the details of employees:

By employment type		By geographic region		By gender		By age	
Full-time	733	Jiangmen City:	658	Male:	308	18-25 years old	85
Part-time	0	Guangdong Province (excluding Jiangmen City):	43	Female:	455	26-40 years old	410
Intern	30	Outside Guangdong Province:	62			Over 40 years old	268

The Group has established a trade union and a number of staff clubs relating to football, badminton, basketball, and family, and allocates special funds on a monthly basis to provide a wide variety of leisure and cultural activities to its employees. The Group also arranges free regular medical check-ups for its employees annually to show its care for them and cultivate a sense of belonging.

Besides, the Group provides competitive remuneration packages to its employees. The Group has also adopted a share option scheme and a reward system to recognize and reward those employees who have contributed to the growth and development of the Group.

An employee satisfaction survey is conducted on an annual basis. The Group will carefully consider all the valuable feedback from employees on how to improve the working environment, enhance the operating efficiency and create a harmonious workplace and so on. In 2020, a score of 90.5 points (2019: 92.3 points) was achieved for employee satisfaction, which is 1.8 points lower as compared with 2019. The employee turnover rate remained at a reasonable level, whereas the turnover rates of employees between the age of 25 to 35 were relatively higher. The details are set out in the following table:

By age		By geographic region		By gender	
Under 25 years old:	12	Jiangmen City:	88	Male:	48
25~35 years old:	61	Guangdong Province (excluding Jiangmen City):	6	Female:	55
Over 35 years old:	30	Outside Guangdong Province:	9		

Aspect B2: Health and Safety

The Group has established the Safety Committee and is committed to improving health and safety performance on an ongoing basis. The Group has established a complete occupational health and safety management system according to the ISO45001 standards, and continuously and effectively promoted and implemented them to ensure a safe and healthy working environment for employees. Moreover, the Group has adopted a series of safety management and implemented safety measures to consolidate the achievements of the three-level safety production standardization.

In the past three years, the Company had no staff fatality due to work, nor there was any loss of working days arising from work-related injuries.

The Group regularly reviews the implementation and effectiveness of related measures and monitors the environmental data of the workplace. The Group has implemented additional preventive measures for risk-related positions by providing training to related personnel to build a culture of risk awareness. The Group distributes labour protection equipment and supervises inspection and implementation to ensure that employees perform labour protection measures as required. Employees in risk-related positions will receive regular occupational disease examination each year. On top of this, a pre-recruitment and post-recruitment occupational disease examination mechanism was also enhanced to ensure the physical and mental healthiness of the employees. In 2020, the Group carried out 72 pre-job, on-the-job and post-job occupational disease inspection for employees in specific positions, achieving a full coverage (2019: 65 per-job).

The Safety Committee performs major safety inspection on a quarterly basis and takes correction measures to eliminate identified safety and health hazards timely. In addition to organizing the employees of the Group to receive training on the relevant occupational health and safety risks and taking protective measures for them, the Group also supervised and guided its related parties and strived to enhance their safety awareness and sense of safety responsibilities by exerting influence on them.

In 2020, the Group did not discover any material breach of laws and regulations in relation to occupational health and safety.

Aspect B3: Development and Training

The Group strives to motivate its employees by offering clear career development paths and opportunities to enhance and improve their skills, maintain their competitiveness, professional expertise and code of ethics. The Group has a training room that can hold more than 100 people, with complete training facilities and internal trainers to provide orientation trainings and in-house trainings to its employees.

The details of training in 2020 are set out in the following table:

Percentage of trainees				**Average hours of training (Unit: hour)**			
By employment type		**Number by gender**		**By employment type**		**Number by gender**	
Senior management	100%	Male	100%	Senior management	46	Male	64.31
Middle management	100%	Female	100%	Middle management	60.2	Female	59.46
Staff/worker level	100%			Staff/worker level	69.42		

The Group works out detailed training programs according to the needs of employees, requirements of positions and skills required by various departments within the company at the beginning of each year. Training programs cover different areas including management skills, sales & production, customer services, quality control, exhibition planning, code of conduct, and other industry-related trainings. The Group conducts training courses according to schedule and emphasizes the effectiveness of such courses, while the human resources department of the Group conducts regular follow-ups on the implementation of various trainings

Especially during the epidemic period, the Company actively responded to the government's call by organizing online training, providing product-specific explanation courses for all employees through Dingding and Tencent classrooms, and for relevant trainings organized by relevant government departments, the Group arranged corresponding personnel to participate actively. The Group also arranges employees to entrust other professional training institutions to conduct employee vocational skills training every year to acquire more knowledge and skills.

Aspect B4: Labor Standards

The Group prohibits the employment of child and forced or compulsory labor in any of its operations. The HR department of the Group verifies the age of employees during the recruitment process and employs only those aged 18 and above. Employees of the Group work on a 5 days a week, 8 hours per day basis. Employees are entitled to paid leaves as per regulations of the state. The Group provides air-conditioned work place where employees are allowed to enjoy light music, take short breaks, or relax in other ways to alleviate their sense of tiredness during work. All employees have the rights to terminate employment with the Group freely by giving a reasonable notice. In 2020, the Group did not detect any employment of child labor or forced or compulsory labor. The Group did not receive any complaints from government authorities, nor were required to compensate employees or penalized due to violation of labor standards. When employees join the Group, the HR department thoroughly reviews their employment information (including but not limited to ID card, academic certificate, qualification proof and employment certificate from previous employers). Should any employee be found to mis-represent or conceal information, the Group shall be entitled to terminate the labor contract without any compensation according to the law. Where an employee is forced to work, the head of the department where such employee works shall be held accountable and be penalized as per the Group's relevant regulations.

In 2020, the Group did not discover any material breach of laws and regulations in relation to employment of child labor or forced labor.

Aspect B5: Supply Chain Management

The Group actively promotes sustainable development of the supply chain, and encourages its partners to fulfill social responsibilities in joint efforts. The Group has established long-term cooperative relationships with many suppliers, and strived to ensure their compliance with the Group's commitments to quality, environmental protection, low carbon operation, safety and ethical conducts. The number and distribution of the Group's suppliers are as follows:

By geographic region (Unit: entity)

Overseas:	51	Outside Guangdong Province:	46	Guangdong Province (excluding Jiangmen City):	292	Jiangmen City:	52

The Group selected suppliers carefully, and required them to satisfy several evaluation criteria, including track records, experience, financial strength, reputation, the capability to produce high quality products, the effectiveness of quality control, and environmental protection, safety, and public welfare responsibilities. For major suppliers, the Group will establish an assessment team to perform on-site assessment on them and verify their samples before including them in the Group's list of qualified suppliers.

The Group prudently selects suppliers based on such factors as quality, delivery punctuality, and price, and hold at least two suppliers in reserve for each material. The quality, delivery date, pricing, service and other aspects of suppliers will be counted and scored every quarter, and the supply from suppliers whose scores do not meet the requirements of the Group will be downgraded or suspended.

In selecting qualified suppliers, relevant suppliers are required to sign the RoHs Guarantee Agreement and the ROHS Labeling Statement, while suppliers of plastic raw materials, plastic parts, packaging materials and circuit board are required to sign the Toxic and Harmful Material Limit Guarantee Agreement. The relevant suppliers are also required to provide ROHS test reports of raw materials (such as SGS) when sending samples for confirmation; and the relevant suppliers shall be checked every year on a sample basis, and unqualified suppliers, if found, will be required to make rectification.

Suppliers are also required to observe the Group's anti-corruption policy. The Group is dedicated to maintaining equal cooperation and mutual benefits with its suppliers, and would also conduct long-term quality monitoring and regular review of all suppliers to ensure effective influence and control on the supply chain.

Aspect B6: Product Responsibilities

The Group believes that products are at the core of corporate competitiveness. To effectively improve the product quality and protect customer rights and interests, the Group keeps strict control over the product quality starting from the stage of research and development. The Group carries out stringent quality control in each process, including dedicated design, comprehensive engineering measurement, procurement on demand, production which strictly follows the work guidelines, all-inclusive inspection, and delighted after-sales services, and performs multiple tests on function and performance before storing the product in the warehouse, so as to ensure the product quality for the satisfaction of customers.

Due to the stability and reliability of the quality, the Group's products passed every sample-based quality supervision and inspection conducted by government authorities. The Group adopted a set of internal product standards which is more stringent than the national standards to control the product quality and ensure the superior product quality. A number of the Group's products have received the Scientific and Technological Progress Awards granted by provincial and municipal government authorities, and the dot-matrix type printer and mini printer under the "Jolimark" brand were awarded the two titles of Provincial Famous Brand Products.

In 2020, none of the Group's products was subject to product recall for quality, safety or health reasons. We only received 3 complaints regarding services, and the after-sale department collaborated with the quality control department to respond and handle customer complaints, as well as taking follow-up measures to contact the complainant in a timely manner to understand customer's satisfaction regarding the complaint handling.

The Group sets up two 400 telephone lines and created a private website to answer customers' inquiries and requests for services timely. The Group also paid much attention to online feedback on issues. It regularly collected customers' opinions and assembled relevant departments to discuss solutions for these issues. For complaints about quality issues, the Group would assign support personnel to visit the customer and properly resolve the issue through on-site resolution or by returning or replacing the product or other methods as required by the customer.

The Group assigns dedicated personnel for managing intellectual property rights, and establishes a specific intellectual property rights information platform to obtain the latest intellectual property rights information, so as to prevent infringements, and enhances comprehensive market tracking and monitor products with independent intellectual property rights to prevent them from being infringed. A reward mechanism is established for intellectual property rights to distribute intellectual property rights rewards reasonably and operate shareholding scheme for core technical employees. The Group explores innovative inventions and apply for protection in a timely manner to obtain and maintain property rights such as patents, trademarks, and computer software copyright registrations.

The rules and regulations governing the confidentiality are developed to clarify employees' obligations and default liabilities in relation to the protection of corporate intellectual property rights using labor contracts, confidentiality agreements or non-competition agreements with confidentiality provisions individually or collectively according to the closeness between employees and technical secrets.

We strengthened the management and protection of trade secrets, regulated the business activities of technical personnel and related activities of mobile personnel involved in the development of patented technologies, and formulated stringent technical information access procedures, so that each person can only access part of the core technology and cannot master the complete core technology, so as to better protect technical secrets. We established a intellectual property products security system from the perspective of computer network, which provides computer and user identity authentication by using network identity authentication system and record computer usage registered by users. We established a network monitoring system to monitor and limit the file operation of computers so as to prevent users from copying data from the internal network system at will. We used the online/off-network strategy to isolate the Company's internal network system from the external network, and strictly controlled the use of external equipment and network output to prevent internal information from leaking.

During the process of technology transfer (licensing) and technological cooperation, the ownership, scope and duration of application the intellectual property rights involved, and the distribution of subsequent research achievements shall be specified in details, and relevant legal documents shall be signed.

We strengthened the awareness of intellectual property rights protection in cooperation with foreign companies. It is necessary to clearly specify the ownership of patents or trademarks in signing export agency contracts with foreign companies to prevent agents from applying for patents or registering trademarks maliciously and preemptively. In accepting foreign companies' processing and production commission, the foreign companies shall be required to present documents proving that it is the holder or legal user of the patents and high technologies in relation to the products, and the contact shall clearly stipulate the legal responsibility for relevant intellectual property rights to prevent from being involved in intellectual property disputes.

The Group also attaches great importance to product quality and after-sales service quality. Our products involve stringent design and development processes, engineering testing and verification, and have undergone pilot production and mass verification, and, if necessary, will be delivered to customers for trial purpose. After solving the problems that are identified during the test process, mass production will commence. During the mass production process, only qualified products will be stored at the warehouse after conducting stringent random inspection on such products by OQC in accordance with the Company's product inspection process including strict initial inspection, self-inspection, regular inspection and full-function inspection.

The Company has constructed a complete sales and aftersales service network by licensing more than 1,300 certified sales outlets in medium and large-sized cities and tier-2 and tier- 3 cities throughout China. For products sold online, the Group strictly abides by the "7 days return and exchange with no questions asked" policy. For products within warranty period, the Group's policy is for contracted dealers to provide on-site repair. For damaged key components and parts of customers, the Group will recover, verify, and analyze them. Some of the analysis information can be used to improve product quality.

Although the Group seldom has access to information of end customers as the Group's products are mostly sold through dealers, the Group attaches great importance to the protection of customers' information and privacy. The Group sets up access permission for dealers' information and customers' information obtained through the after-sale system. The information shall be used for internal statistics and analysis purpose only and shall not be used for any commercial purposes nor disclosed. The Group also requires that the Group's dealers shall not disclose the information and privacy of customers to any irrelevant cooperative factories, nor shall they use the information for any form of commercial purposes to obtain benefits.

Aspect B7: Anti-corruption

The Group allows zero tolerance for corruption and bribery throughout its operations. The Group has an internal audit department to conduct regular business audit in the procurement department and other relevant departments. All business contracts with third parties are subject to professional reviews by the legal department, and a series of internal financial management systems were formulated for standard management purpose, and employees in key positions such as sales are required to sign the Integrity and Compliance Commitment, to ensure corruption and bribery are prevented at the origin. In 2019, the Group has verified an incident in which an employee used his own position to defraud the group's funds. During the Reporting Period, the incident was concluded by the People's Court of Xinhui District, Jiangmen, and the employee was convicted of occupational embezzlement, and sentenced to fixed-term imprisonment and compensation for the economic losses of the Group.

The Group has developed and issued a whistle-blowing policy to encourage employees, third parties and other relevant personnel to whistle-blow any suspected business misconduct in writing or verbally through designated hotlines and email addresses. Upon receipt of the report, the audit department shall carry out investigations on the matter as per the Group's procedures and strictly protect the whistle-blower. Once the offence is verified, the matter will be handled in accordance with the Group's regulations. Those who violate the Criminal Law shall be transferred to the judiciary authorities. After receiving the report, the Audit Department will conduct a thorough investigation of the matter in accordance with the Group's procedures and strictly protect the informant. Once verified, it will be dealt with in accordance with the Group's rules and regulations. If the criminal law is violated, it will be transferred to the judicial authority for handling.

To ensure that employees comply with the relevant policies and maintain high ethical standards, the Group educates the directors and all employees about the prevention of corruption and bribery. The Group also warns employees against fraud, extortion and money laundering through propaganda campaigns.

Aspect B8: Community Investment

The Group has been focusing on the promotion of community and education projects which are of much concern. The Group encourages its employees to participate in non-remunerated blood donation activity under a community health program, and donated 6,400 ml of blood in 2020 with cumulative amount of donated blood exceeding 47,000 ml. Furthermore, the Group is enthusiastic about the development of educational undertakings. The Group has established "Scholarships for Outstanding Students of Jolimark Employees" and "Jolimark Education Scholarship" and organized the "Jolimark Cup" literary creation contest for primary and secondary school students in Jiangmen. Each year, the Group allocates hundreds of thousands of Yuan to award students who are excellent in virtues and study. These efforts have played a good exemplary role in promoting the development of educational undertakings, creating a good style of study, encouraging students to explore actively, become confident and self-reliance and seek pluralistic development, and inspiring a great number of students to rise in great vigor. Meanwhile, the Group sponsored "Jolimark Cup 2016–2025 Jiangmen Youth Campus Football Level-Four League", thereby contributing to the youth football growth.

In particular, in light of the outbreak of COVID-19 in early 2020, the Group reacted positively at the earliest possible time to overcome the then extremely difficult transportation situation, rapidly and timely donated a batch of printer equipment to Huoshenshan Hospital, Leishenshan Hospital and other related hospitals in Hubei Province. Later, the Group responded to the government's call and immediately embarked on reconstructing the production workshop for producing anti-epidemic materials, namely disposable medical masks, and overcame numerous difficulties such as equipment, raw materials, technology and staff to produce mask products that were in public urgent need, contributing to the fight against the epidemic.

In 2020, the Group donated a total of RMB1,901,000 in cash and donation materials to nine charity institutions, including Wuhan Charity Federation, Red Cross Society of Pinggu District, Beijing, Charity Federation of Huanggang, Charity Federation of Xiaogan, Shanghai Charity Foundation and Shenzhen Social Commonweal Foundation.

Independent Auditor's Report

To the Shareholders of Jolimark Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Jolimark Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 56 to 114, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment of goodwill

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of goodwill Refer to note 4(c) and note 8 to the consolidated financial statements. A goodwill of RMB5,742,000 arose on the acquisition of Shenzhen Coolwi Technology Company Limited in 2014, which is subject to an annual impairment assessment according to HKAS 36. A provision of RMB1,525,000 has been made for this goodwill in year of 2020. As of 31 December 2020, the carrying amount of relevant goodwill was amounted to RMB4,217,000 (2019: RMB5,742,000). Management identified the goodwill related cash generating unit as "Yingmei.me O2O cloud printing" and perform the goodwill impairment assessment based on a value-in-use calculation using cash flow projections based on financial budgets approved by management. The key assumptions considered primarily include (i) annual growth rate of revenue, (ii) terminal growth rate, and (iii) pre-tax discount rate. We focused on auditing the impairment of goodwill because the estimation of recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of goodwill is considered significant due to the subjectivity of significant assumptions used.	 Our major audit procedures in relation to the assessment of impairment of goodwill included the following: (a) We obtained an understanding of the management's internal control and assessment process of goodwill impairment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias or fraud; (b) We evaluated the outcome of prior period assessment of impairment of goodwill to assess the effectiveness of management's estimation process; (c) We challenged the appropriateness of the methodology and the reasonableness of key assumptions adopted;

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of goodwill	(d) We assessed the reasonableness of the estimations by performing the following procedures: – compared the operating results with forecasted revenue and expenses for the year ended 31 December 2020 prepared by management, discussed with management about the significant variances and assessed the reasonableness of the updated future profit and cash flow forecasts for the years after 2020; – compared the annual growth rate of revenue, approved budgets and business plans to historical results of the cash generated unit; – benchmarked the discount rate against our own internal data, taking into account the cost of capital of the cash generated unit and comparable entities; – for the terminal growth rate, we assessed it with reference to the long-term expected inflation rate against available government data; (e) We performed sensitivity analysis on the pre-tax discount rate adopted in the impairment assessment so as to assess the potential implication on the results of the impairment assessment if the pre-tax discount rate is to be changed within a reasonable range; (f) We assessed the adequacy of the disclosures related to impairment assessment of goodwill in the context of the applicable financial reporting framework; and Based on our audit procedures, we found that the judgements and estimates made by management in relation to the goodwill impairment assessment were supported by available evidences.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Au Chi Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2021

Consolidated Balance Sheet

As at 31 December 2020
(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	2020	2019
ASSETS			
Non-current assets			
Property, plant and equipment	6	**107,362**	105,823
Right-of-use assets	7	**8,545**	10,681
Intangible assets	8	**11,075**	13,216
Investments accounted for using the equity method	10	**7,933**	7,821
Financial assets at fair value through profit or loss	15	**–**	463
Financial assets at fair value through other comprehensive income	11	**11,178**	5,956
Deferred income tax assets	21	**6,954**	8,192
Other receivables	14	**1,651**	500
Other assets		**3,264**	3,124
		157,962	155,776
Current assets			
Financial assets at fair value through profit or loss		**386**	–
Inventories	13	**101,038**	86,320
Trade and other receivables	14	**34,457**	34,848
Restricted cash	17	**153**	7,153
Cash and cash equivalents	16	**104,430**	122,474
		240,464	250,795
Total assets		**398,426**	406,571
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital and premium	18	**9,155**	9,155
Other reserves	19	**258,226**	257,058
Accumulated losses		**(50,396)**	(24,246)
		216,985	241,967
Non-controlling interests		**(872)**	(564)
Total equity		**216,113**	241,403

As at 31 December 2020
(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	2020	2019
LIABILITIES			
Non-current liabilities			
Borrowings	20	**1,108**	–
Lease liabilities	7	**–**	1,363
Deferred income tax liabilities	21	**382**	363
		1,490	1,726
Current liabilities			
Trade and other payables	22	**84,124**	68,053
Contract liabilities	23	**10,557**	1,497
Lease liabilities	7	**1,154**	1,645
Borrowings	20	**84,988**	92,247
		180,823	163,442
Total liabilities		**182,313**	165,168
Total equity and liabilities		**398,426**	406,571

The notes on pages 62 to 114 are an integral part of these consolidated financial statements.

The financial statements on pages 56 to 114 were approved by the Board of Directors on 23 March 2021 and were signed on its behalf:

Mr. Au Pak Yin
Director

Mr. Au Kwok Lun
Director

Consolidated Income Statement

For the year ended 31 December 2020
(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	2020	2019
Revenue	24	**275,967**	297,064
Cost of goods sold	26	**(191,069)**	(212,208)
Gross profit		**84,898**	84,856
Other income	25	**8,077**	6,793
Selling and marketing expenses	26	**(32,889)**	(40,240)
Administrative expenses	26	**(42,110)**	(39,646)
Research and development expenses	26	**(37,360)**	(44,441)
Other gains/(losses) – net	28	**222**	(765)
Operating loss		**(19,162)**	(33,443)
Finance expenses – net	29	**(5,201)**	(6,356)
Share of gains of investments accounted for using the equity method	10	**112**	77
Impairment of investment in associates	10	**–**	(1,388)
Loss before income tax		**(24,251)**	(41,110)
Income tax (expense)/credit	30	**(1,183)**	4,666
Loss for the year		**(25,434)**	(36,444)
Loss attributable to:			
– Shareholders of the Company		**(25,113)**	(36,057)
– Non-controlling interests		**(321)**	(387)
		(25,434)	(36,444)
Loss per share for loss attributable to the shareholders of the Company during the year (expressed in RMB per share)			
– Basic	10	**(0.041)**	(0.059)
– Diluted	10	**(0.041)**	(0.059)

The notes on pages 62 to 114 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020
(All amounts in Renminbi Yuan thousands unless otherwise stated)

	2020	2019
Loss for the year	**(25,434)**	(36,444)
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Changes in the fair value of equity investments at fair value through other comprehensive income	**213**	(258)
Income tax relating to these items	**(74)**	6
Other comprehensive income for the year, net of tax	**139**	(252)
Total comprehensive income for the year	**(25,295)**	(36,696)
Total comprehensive income for the year attributable to:		
– Shareholders of the Company	**(24,987)**	(36,320)
– Non-controlling interests	**(308)**	(376)
	(25,295)	(36,696)

The notes on pages 62 to 114 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020
(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Attributable to shareholders of the Company				
	Share capital and premium (note 18)	Other reserves (note 19)	Accumulated loss	Non-controlling interests	Total equity
Balance at 1 January 2020	**9,155**	**257,058**	**(24,246)**	**(564)**	**241,403**
Comprehensive income					
Loss for the year	–	–	(25,113)	(321)	(25,434)
Other comprehensive income	–	126	–	13	139
Total comprehensive income for the year	–	126	(25,113)	(308)	(25,295)
Contributions by and distributions to the shareholders of the Company recognised directly in equity					
Transfer to the statutory reserve and enterprise expansion fund	–	864	(864)	–	–
Transfer to the staff incentive and welfare fund	–	173	(173)	–	–
Share options granted to employees	–	5	–	–	5
Total contributions by and distributions to the shareholders of the Company recognised directly in equity	–	1,042	(1,037)	–	5
Balance at 31 December 2020	**9,155**	**258,226**	**(50,396)**	**(872)**	**216,113**
Balance at 1 January 2019	12,814	256,185	8,799	(119)	277,679
Comprehensive income					
Loss for the year	–	–	(36,057)	(387)	(36,444)
Other comprehensive income	–	(263)	–	11	(252)
Total comprehensive income for the year	–	(263)	(36,057)	(376)	(36,696)
Contributions by and distributions to the shareholders of the Company recognised directly in equity					
Transfer to the statutory reserve and enterprise expansion fund	–	280	(280)	–	–
Share options granted to employees	–	489	–	–	489
Cancellation of shares of the Company	(3,659)	367	3,292	–	–
Dividends paid to non-controlling shareholders	–	–	–	(69)	(69)
Total contributions by and distributions to the shareholders of the Company recognised directly in equity	(3,659)	1,136	3,012	(69)	420
Balance at 31 December 2019	9,155	257,058	(24,246)	(564)	241,403

The notes on pages 62 to 114 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020
(All amounts in Renminbi Yuan thousands unless otherwise stated)

	Note	2020	2019
Cash flows from operating activities			
Cash generated from/(used in) operations	33	**6,647**	(27,365)
Income tax paid		**(393)**	(1,148)
Interest paid		**(5,297)**	(5,707)
Net cash generated from/(used in) operating activities		**957**	(34,220)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(12,063)**	(12,730)
Purchase of intangible assets		**(1,983)**	(421)
Purchase of other assets		**(1,048)**	(505)
Disposals of property, plant and equipment		**–**	19
Acquisition of financial assets at fair value through other comprehensive income		**(5,009)**	–
Acquisition of a business, net cash paid		**–**	(1,848)
Withdraw of time deposits		**–**	57,960
Dividend received		**1,232**	1,267
Interests received		**2,527**	8,366
Net cash (used in)/generated from investing activities		**(16,344)**	52,108
Cash flows from financing activities			
Bank deposits released		**7,000**	–
Proceeds from borrowings		**116,097**	59,998
Repayments of borrowings		**(122,158)**	(50,000)
Dividends paid to non-controlling shareholders		**–**	(69)
Principal elements of lease payments		**(2,341)**	(1,682)
Net cash generated from financing activities		**(1,402)**	8,247
Net (decrease)/increase in cash and cash equivalents		**(16,789)**	26,135
Cash and cash equivalents at beginning of the year		**122,474**	95,388
Exchange (losses)/gains on cash and cash equivalents		**(1,255)**	951
Cash and cash equivalents at end of the year	16	**104,430**	122,474

The notes on pages 62 to 114 are an integral part of these consolidated financial statements.

1. General Information

(a) Jolimark Holdings Limited (the "Company") was incorporated in the Cayman Islands on 22 July 2004 as an exempted company with limited liability under the Companies Law (2003 Revision) of the Cayman Islands. The address of its registered offices is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

(b) The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the "Group") are manufacture and sale of printers and other electronic products in the People's Republic of China (the "PRC").

(c) The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 29 June 2005.

(d) These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 23 March 2021.

2. Summary of Significant Accounting Policies

This note provides a list of significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of the Group and its subsidiaries.

2.1 Basis of preparation

(a) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS) and requirements of the Hong Kong Companies Ordinance Cap. 622.

(b) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income which are carried at fair value.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

(c) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020.

HKAS 1 and HKAS 8 (Amendments)	Definition of material
HKFRS 3 (Amendments)	Definition of a business
HKFRS 7, HKFRS 9 and HKAS 39 (Amendments)	Interest rate reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The Group has assessed the impact of the adoption of these new and amended standards that are effective for the first time for this financial year. The adoption of these standards, amendments and interpretations did not have any impact on the Group's accounting policies and did not require retrospective amendments and interpretation adjustments.

(d) New and amended standards and interpretations issued but are not effective for financial year ended 31 December 2020 and have not been early adopted by the Group

		Effective for annual periods beginning on or after
HKFRS 3 (Amendment)	Business combinations	1 January 2022
HKAS 16 (Amendment)	Property, plant and equipment	1 January 2022
HKAS 37 (Amendment)	Provisions, contingent liabilities and contingent assets	1 January 2022
Annual improvements	Annual Improvements to HKFRS standards 2018–2020 cycle	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
HKAS 1 (Amendment)	Presentation of financial statements' on classification of liabilities	1 January 2023
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The above new standards, amendments to existing standards and interpretations are effective for annual periods beginning on or after 1 January 2021 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

2. Summary of Significant Accounting Policies (Continued)

2.2 Principles of consolidation and equity accounting

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December 2020.

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.3).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (c) below), after initially being recognised at cost.

2. Summary of Significant Accounting Policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(c) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.9.

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

2. Summary of Significant Accounting Policies (Continued)

2.3 Business combinations (Continued)

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity.

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the senior management of the Company that make strategic decisions.

2. Summary of Significant Accounting Policies (Continued)

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of Group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi Yuan ("RMB"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within "finance expenses-net". All other foreign exchange gains and losses are presented in the consolidated income statement within "other gains/(losses) – net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

2. Summary of Significant Accounting Policies (Continued)

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replace part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 – 40 years
Plant and machinery	10 – 20 years
Furniture and fixtures	5 years
Leasehold improvements	Lower of lease term or estimated useful life of 2 – 5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated income statement.

2.8 Intangible assets

(a) Goodwill

Goodwill is measured as described in note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 5).

2. Summary of Significant Accounting Policies (Continued)

2.8 Intangible assets (Continued)

(b) Proprietary technology and software

Proprietary technology and software are recognised at historical cost. Proprietary technology and software have a definite useful life and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of proprietary technology and software over their estimated useful life (3 to 10 years).

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

(c) Research and development

Research expenditure and development expenditure that do not meet the criteria in (b) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2. Summary of Significant Accounting Policies (Continued)

2.10 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gains/(losses) – net in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2. Summary of Significant Accounting Policies (Continued)

2.10 Investments and other financial assets (Continued)

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 14 for further details.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.11 Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. It excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.12 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are generally due for settlement within 180 days and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The carrying amount of trade receivables is presented after netting off the expected credit losses. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 14 for further information about the Group's accounting for trade receivables and note 2.10 for a description of the Group's impairment policies.

2.13 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2. Summary of Significant Accounting Policies (Continued)

2.14 Share capital and premium

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the company's equity instruments, for example as the result of a share buy-back, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

2.15 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.17 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2. Summary of Significant Accounting Policies (Continued)

2.18 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2. Summary of Significant Accounting Policies (Continued)

2.19 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Post-employment obligations

(i) Pension obligations

The Group participates in a number of defined contribution plans in the PRC and Hong Kong, the assets of which are generally administrated by the relevant authority of the PRC or held in separate trustee-administered funds in Hong Kong. The pension plans are generally funded by payments from employees and the relevant group entities. The Group pays contributions to the pension plans on a mandatory or contractual basis which are calculated as a percentage of the employees' salaries.

The Group has no legal or constructive obligations to make further payments once the required contributions have been paid, even if the plans do not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years.

The contributions are recognised as employee benefit expenses when they are due and are not reduced by contributions forfeited by those employees who leave the scheme prior to fully vesting in the contributions.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2. Summary of Significant Accounting Policies (Continued)

2.20 Share-based payments

The Group operates an equity-settled share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets) and any non-vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity reassesses its estimates of the number of options that are expected to vest, and recognises the impact of the revision of original estimates, if any, in the statement of profit or loss, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

The grant by the Company of options over its equity instruments to the employees of subsidiaries of the Group is treated as capital contribution to the subsidiaries in the Company's financial statements. The fair value of employee services received, measured by reference to the fair value of the options granted, is recognised over the vesting period as an increase to investment in subsidiary, with a corresponding credit to equity.

2.21 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2. Summary of Significant Accounting Policies (Continued)

2.22 Revenue recognition

(a) Sales of goods

The principal activities of the Group are manufacture and sale of printers and other electronic products. The Group sells the products to end users mainly through third party distributors or corporate customers ("customers"). Sales are recognised when control of the products has transferred, being when the products are delivered to the specific locations designated by the customers, the customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customers, and either the customers have accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The printers are often sold with retrospective volume discounts based on aggregate sales over a certain period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the most likely amount, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 30-180 days, which is consistent with market practice. The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Provision of services

Provision of services is recognised in the accounting period in which the services are rendered.

2.23 Interest income

Interest income is recognised on a time-proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

2.24 Dividend income

Dividends are received from financial assets measured at fair value through profit or loss (FVPL) and at fair value through other comprehensive income (FVOCI). Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

2. Summary of Significant Accounting Policies (Continued)

2.25 Leases

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases (note 34). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

2. Summary of Significant Accounting Policies (Continued)

2.25 Leases (Continued)

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise dormitories rented for employees.

2.26 Dividends distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

2.27 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

3. Financial Risk Management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollars ("US$") and Hong Kong dollars ("HK$"). The Group's businesses are principally conducted in RMB, except for import of certain raw materials and machinery from overseas suppliers, sales of goods to overseas customers and borrowing that are denominated in US$ or HK$.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

	As at 31 December	
	2020	2019
Financial assets		
– HK$	**2,157**	32,894
– US$	**865**	6,200
	3,022	39,094
Financial liabilities		
– HK$	**(7,907)**	(34,668)
– US$	**–**	(3,117)
	(7,907)	(37,785)

As at 31 December 2020, the Group had more financial liabilities than financial assets outside the mainland China. The Group manages and monitors its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and to mitigate the impact on exchange rate fluctuations by reducing the financial liabilities if needed. The Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk.

As at 31 December 2020, if RMB had strengthened/weakened by 5% against the US$ and HK$ with all other variables held constant, post-tax loss for the year would be lower/higher by RMB205,000 (2019: if RMB had strengthened/weakened by 5% against the US$ and HK$, post-tax loss would be higher/lower by RMB55,000), which is mainly attributable to net result of exchange differences on translation of US$ and HK$ denominated trade receivables, cash and cash equivalents, borrowings and trade payables.

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk

The Group's major interest-bearing assets are cash and cash equivalents and restricted cash. The maturity term of cash and cash equivalents and restricted cash are within 12 months or at fixed rates so there would be no significant interest rate risk for these financial assets.

The Group's major interest-bearing liabilities are borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest risk which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest risk. As at 31 December 2020, if interest rates on bank borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax loss would have been RMB366,000 higher/lower (2019: post-tax loss would be RMB390,000 higher/lower), mainly as a result of higher/lower interest expenses on these variable rate borrowings.

The Group has not used any financial instrument to hedge its exposure to interest rate risk.

(iii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group which are classified on the consolidated balance sheet either as financial assets at fair value through other comprehensive income (note 11) or financial assets at fair value through profit or loss (note 15). To manage its price risk arising from investments in equity securities, the Group diversified its portfolio.

The carrying amounts of financial assets at fair value through other comprehensive income and fair value gains on financial assets at fair value through profit or loss represent the Group's maximum exposure to price risk.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

The carrying amount of cash and cash equivalents, restricted cash and trade and other receivables represent the Group's maximum exposure to credit risk at the reporting date in relation to financial assets. The Group does not hold any collateral as security.

The cash and cash equivalents and restricted cash of the Group are deposited in those financial institutions without significant credit risk, most of which are state-controlled commercial banks with no history of non-performance. Management does not expect any losses from non-performance by these finance institutions.

For sales of goods to customers, the Group has policies in place to ensure credit terms are only granted to customers with good credit histories and credit evaluations were conducted on them periodically, taking into account their financial position, past experience and other factors. For other customers without credit terms granted, advances are received in most cases before delivery is made. As at 31 December 2020, 66% of trade receivables are due from three major customers of the Group (2019: 69%). Collections of outstanding receivable balances are closely monitored on an ongoing basis to minimise such credit risk.

For bills receivable, the Group will only accept selected bank acceptance bills issued by large or medium sized commercial banks in the PRC, and with maturity periods normally not more than 6 months. Management considers the default risk from these bank acceptance bills is low as they consider that PRC financial market is highly regulated and bankruptcy or default of PRC financial institutions should be rare.

Other receivables mainly include a loan to a related party, tender securities and interest receivable for time deposits. Management does not expect any loss arising from non-performance by these counterparties.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by arranging banking facilities; the Company aims to maintain flexibility by settlement of amounts due from subsidiaries.

The table below analyses the financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows of the financial liabilities.

	Within 1 year	Between 1 and 2 years
At 31 December 2020		
Borrowings	**87,348**	**1,147**
Trade and other payables	**75,030**	**–**
At 31 December 2019		
Borrowings	92,926	–
Trade and other payables	55,365	–

3. Financial Risk Management (Continued)

3.2 Capital risk factors

The Group's objectives of managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total assets as shown on the consolidated balance sheet. As at 31 December 2020, the total borrowing for the Group was RMB86,096,000 (2019: RMB92,247,000) and the gearing ratio was 21.6% (2019: 22.59%).

3.3 Fair value estimation

(a) Financial assets and liabilities

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Financial assets at FVOCI are equity investment in private companies and financial assets at FVPL represent a put option as at 31 December 2020, both of them are measured at fair value in level 3.

The carrying amounts less impairment provision of trade and other receivables and the carrying amounts of trade and other payables approximate their fair values due to their short term nature.

During the year ended 31 December 2020, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

4. Critical Estimates and Judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Net realisable value of inventories

Net realisable value of inventories is based on the management's best estimations of selling price of the inventories in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are made with reference to the current market conditions and the historical experience of selling goods of similar nature. It could change significantly as a result of changes in market condition. Management reassesses these estimations at each balance sheet date.

(b) Income tax and deferred tax

The Group is subject to corporate income taxes in the PRC. Significant judgement is required in determining the amount of the provision for taxation and timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

(c) Estimated impairment of goodwill

Goodwill is reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of goodwill have been determined based on value-in use calculations, taking into account latest market information and past experience. These calculation require the use of judgements and estimates.

5. Segment information

The directors and chief executive officer of the Group are the chief operating decision-makers (the "CODM") of the Group. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The CODM manages the Group's business from the perspective of different product lines of the Group, i.e. printers and others. Since more than 90% of the Group's revenue and operating results are derived from product line of printers, no segment information has been prepared.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

6. Property, plant and Equipment

	Buildings	Plant and machinery	Furniture and fixtures	Leasehold improvements	Motor vehicles	Total
At 1 January 2019						
Cost	69,061	176,898	18,826	3,327	12,162	280,274
Accumulated depreciation	(19,528)	(129,436)	(15,083)	(2,488)	(10,099)	(176,634)
Net book amount	49,533	47,462	3,743	839	2,063	103,640
Year ended 31 December 2019						
Opening net book amount	49,533	47,462	3,743	839	2,063	103,640
Acquisition of businesses	–	–	6	–	–	6
Additions	4,369	6,297	1,974	90	–	12,730
Disposals	–	(2)	(1)	(14)	(14)	(31)
Depreciation	(1,892)	(7,011)	(1,110)	(179)	(330)	(10,522)
Closing net book amount	52,010	46,746	4,612	736	1,719	105,823
At 31 December 2019						
Cost	73,430	183,172	20,791	3,275	12,030	292,698
Accumulated depreciation	(21,420)	(136,426)	(16,179)	(2,539)	(10,311)	(186,875)
Net book amount	52,010	46,746	4,612	736	1,719	105,823
Year ended 31 December 2020						
Opening net book amount	52,010	46,746	4,612	736	1,719	105,823
Additions	799	11,016	492	1,898	–	14,205
Disposals	–	(69)	–	–	–	(69)
Depreciation	(2,311)	(8,741)	(1,047)	(186)	(312)	(12,597)
Closing net book amount	50,498	48,952	4,057	2,448	1,407	107,362
At 31 December 2020						
Cost	74,229	193,508	21,283	5,173	12,030	306,223
Accumulated depreciation	(23,731)	(144,556)	(17,226)	(2,725)	(10,623)	(198,861)
Net book amount	50,498	48,952	4,057	2,448	1,407	107,362

Depreciation was expensed in the following accounts in the statement of profit or loss:

	2020	2019
Cost of goods sold	8,230	7,065
Administrative expenses	2,845	2,555
Research and development expenses	721	727
Selling and marketing expenses	801	175
	12,597	10,522

(All amounts in Renminbi Yuan thousands unless otherwise stated)

7. Leases

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	Year ended 31 December 2020
Right-of-use assets	
Land-use rights	7,433
Buildings	1,112
	8,545
Lease liabilities	
Current	1,154

Movement of right-of-use assets is shown as below:

	Right-of-use assets	Land-use rights	Total
Opening net book amount at 1 January 2019, as originally presented	–	8,010	8,010
Changes in accounting policy	9,166	(8,010)	1,156
Opening net book amount as at 1 January 2019, as restated	9,166	–	9,166
Additions	3,677	–	3,677
Depreciation	(2,162)	–	(2,162)
At 31 December 2019	10,681	–	10,681
At 1 January 2020	10,681	–	10,681
Additions	1,256	–	1,256
Disposal	(669)	–	(669)
Depreciation	(2,723)	–	(2,723)
At 31 December 2020	8,545	–	8,545

The income statement shows the following amounts relating to leases:

	Year ended 31 December 2020
Depreciation charge of right-of-use assets	
Land-use rights	289
Buildings	2,434
	2,723
Interest expense (included in finance cost)	100
Expense relating to short-term lease	2,507
Expense relating to leases of low-value assets that are not shown above as short-term leases	2,479

The total cash outflow for leases in 2020 was RMB 4,920,000.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

8. Intangible Assets

	Goodwill (Note a)	Proprietary technology	Software	Development cost	Total
At 1 January 2019					
Cost	6,376	8,871	–	–	15,247
Accumulated amortisation	–	(3,521)	–	–	(3,521)
Net book amount	6,376	5,350	–	–	11,726
Year ended 31 December 2019					
Opening net book amount	6,376	5,350	–	–	11,726
Acquisition of businesses	737	–	1,897	–	2,634
Addition	–	421	–	–	421
Amortisation	–	(663)	(316)	–	(979)
Impairment	(586)	–	–	–	(586)
Closing net book amount	6,527	5,108	1,581	–	13,216
At 31 December 2019					
Cost	7,113	9,292	1,897	–	18,302
Accumulated amortisation	–	(4,184)	(316)	–	(4,500)
Impairment	(586)	–	–	–	(586)
Net book amount	6,527	5,108	1,581	–	13,216
Year ended 31 December 2020					
Opening net book amount	**6,527**	**5,108**	**1,581**	**–**	**13,216**
Addition	**–**	**–**	**398**	**1,585**	**1,983**
Amortisation	**–**	**(848)**	**(383)**	**–**	**(1,231)**
Impairment	**(2,262)**	**(631)**	**–**	**–**	**(2,893)**
Closing net book amount	**4,265**	**3,629**	**1,596**	**1,585**	**11,075**
At 31 December 2020					
Cost	**7,113**	**9,292**	**2,295**	**1,585**	**20,285**
Accumulated amortisation	**–**	**(5,032)**	**(699)**	**–**	**(5,731)**
Impairment	**(2,848)**	**(631)**	**–**	**–**	**(3,479)**
Net book amount	**4,265**	**3,629**	**1,596**	**1,585**	**11,075**

Amortisation of RMB 67,000 and RMB 1,164,000 (2019: RMB36,000 and RMB943,000) are included in the cost of goods sold and administrative expenses in the income statement.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

8. Intangible Assets (Continued)

(a) The goodwill of the Group as at 31 December 2020 and 2019 mainly arose from the acquisition of Yingmei.me O2O cloud printing, Interactive video platform and Catering and e-commerce business and are monitored by management at the level of cash generating units ("CGUs"). Details of goodwill were shown as below:

Deferred income tax assets	Yingmei. me O2O cloud printing	Interactive video platform	Others	Total
As at 1 January 2020	**5,742**	**737**	**48**	**6,527**
Impairment charge((i) and (ii))	**(1,525)**	**(737)**	**–**	**(2,262)**
As at 31 December 2020	**4,217**	**–**	**48**	**4,265**
As at 1 January 2019	5,742	737	634	7,113
Impairment charge	–	–	(586)	(586)
As at 31 December 2019	5,742	737	48	6,527

(i) Impairment tests for goodwill

The recoverable amounts of the CGUs are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate stated below.

The key assumptions have been used for the analysis of value-in-use calculations in 2020 are as follows:

	Yingmei.me O2O cloud printing	Interactive Video Platform
Annual growth rate of revenue (within the first five years)	5%~10%	15%~75%
Long term growth rate of revenue (after the first five years)	3%	3%
Pre-tax discount rate	22.0%	23.38%

Average annual growth rate is based on management's expectations of market development. The long term growth rate used is based on the average growth rate of the consumer price index for the past ten years. The discount rate used is pre-tax and reflect specific risks relating to the relevant CGUs.

(ii) Impairment charge

Yingmei.me O2O cloud printing

As at 31 December 2020, the recoverable amount of the Yingmei.me O2O cloud printing CGU calculated by the management was RMB4,452,000.

As a result, an impairment charge of RMB1,525,000 was made. This was a result of production delay of relevant cloud printing products. No class of asset other than goodwill was impaired.

If the pre-tax discount rate used in the value-in-use calculation for the Yingmei.me O2O cloud printing CGU had been 1% higher than management's estimates at 31 December 2020, the group would have had to recognise further impairment against the carrying amount of goodwill of RMB 1,564,000.

Interactive Video Platform

During the year, a full impairment was made on the goodwill of this CGU as the recoverable amounts calculated by management was lower than the carrying value.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

9. Investments in Subsidiaries

The following is a list of all the subsidiaries at 31 December 2020:

Name	Place of incorporation	Principal activities and place of operations	Particulars of issued share capital/ paid-in capital	Attributable equity interest held
Directly held by the Company				
Ying Mei Investment Limited	The British Virgin Islands (the "BVI")	Investment holdings/PRC	US$50,000	100%
Kong Yue Investment Limited	BVI	Investment holdings/PRC	US$50,000	100%
Indirectly held by the Company				
Jolimark Technology Limited	Hong Kong	Investment holdings/PRC	HK$10,000	100%
Shanghai Jiangnuo Digital Technology	PRC	Wholesale of business equipment and tax control equipment/PRC	RMB20,000,000	95.25%
Jiangmen Kong Yue Jolimark Information Technology Limited	PRC	Manufacturing and sales of business equipment and tax control equipment/ PRC	HK$16,050,000	100%
Kong Yue Electronics & Information Industry (Xinhui) Limited ("Kongyue Information")	PRC	Manufacturing and sales of business equipment and tax control equipment/ PRC	US$25,660,000	100%
Xin Yue Logistics Limited	Hong Kong	Logistics agent/Hong Kong	HK$2	100%
Jiangmen Kong Yue Jolimark Tax Control Services Limited	PRC	Marketing of tax control equipment/PRC	RMB500,000	95%
Jolimark Printing Solutions (Hong Kong) Limited	Hong Kong	Wholesale of business equipment and tax control equipment/Hong Kong	HK$10,000	100%
Advanced Inkjet Systems Limited	Taiwan	Research and development of the inkjet print heads	TWD3,700,000	100%
Shenzhen Coolwi Technology Company Limited	PRC	Research and development of the internet of Things	RMB1,000,000	100%
Shenzhen Yingmei Kamo Internet Limited	PRC	Research and development of the internet of Things	RMB1,000,000	100%
Gowin Technology International Holdings Limited	Hong Kong	Research and development of the internet technology and electronic products	HK$20,002	65%
Shenzhen Yingxing Information Technology Limited	PRC	Import and export service for electronic business	RMB3,000,000	65%
Gaosheng Hongying Technology (Shenzhen) Limited	PRC	Research and development of the internet technology and electronic products	HK$600,000	65%
Jolimark Inkjet Technology Limited	Hong Kong	Research and development of the inkjet printers	HK$1,000,000	100%

All the subsidiaries are limited liability companies.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

10. Investments accounted for using the equity method

The amounts recognised in the consolidated balance sheet for associates are as follows:

	2020	2019
Balance at 1 January	7,821	9,132
Share of profit – net	112	77
Impairment charge (note (a))	–	(1,388)
Balance at 31 December	7,933	7,821

(a) Set out below are the associates of the Group as at 31 December 2020. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Region of business	% of ownership interest		Nature of relationship	Measurement method	Carrying amount	
		2020	2019			2020	2019
Wuhan Hong Rui Da Information Technology Limited Company ("Hong Rui Da")	China	49.2%	49.2%	Associate	Equity method	–	–
Wuhan Shuyuan Digital Network Technology Limited Company ("Shuyuan")	China	19.6%	19.6%	Associate	Equity method	7,933	7,284
Xinyu Kaiyi Education Investment Limited Partnership ("Kaiyi")	China	19.96%	19.96%	Associate	Equity method	537	537

(All amounts in Renminbi Yuan thousands unless otherwise stated)

11. Financial assets at fair value through other comprehensive income

	As at 31 December	
	2020	2019
Balance at 1 January	**5,956**	6,214
Additions (Note a)	**5,009**	–
Fair value gains/(losses) recognised	**213**	(258)
Balance at 31 December	**11,178**	5,956

(a) On 18 December 2020, the Group acquired through bidding on Shanghai United Assets and Equity Exchange 0.36% of the equity interest in Ele-Cloud Information Technology Co., Ltd. for an aggregate consideration of RMB5,000,000. Ele-Cloud Information Technology Co., Ltd. is a leading tax digitalisation service provider in China.

(b) The fair values are estimated by the management by taking into account the net assets of investees which are within level 3 of fair value hierarchy.

12. Financial Instruments by Categories

	As at 31 December	
	2020	2019
Financial assets		
Financial assets at amortised cost		
Trade and other receivables, excluding prepayments (note 14)	**31,800**	33,840
Restricted cash (note 17)	**153**	7,153
Cash and cash equivalents (note 16)	**104,430**	122,474
Financial assets at FVOCI (note 11)	**11,178**	5,956
Financial assets at FVPL (note 15)	**386**	463
	147,947	169,886
Financial liabilities		
Liabilities at amortised cost		
Trade and other payables	**75,030**	56,009
Lease liabilities	**1,154**	3,008
Borrowings (note 20)	**86,096**	92,247
	162,280	151,264

The Group's exposure to various risks associated with the financial instruments is discussed in note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

13. Inventories

	As at 31 December	
	2020	2019
Raw materials	**68,260**	56,024
Work in progress	**6,113**	4,581
Finished goods	**26,665**	25,715
	101,038	86,320

The cost of inventories recognised in the income statement amounted to RMB191,106,000 (2019: RMB213,504,000).

During the year, the reversal of provisions for inventories were amounted to RMB779,000 (2019: write-down of RMB1,108,000) and has been recognised as cost of goods sold in the income statement.

14. Trade and Other Receivables

	As at 31 December	
	2020	2019
Non-current		
Other receivables		
– Third parties	**359**	500
– Related parties (note 35)	**1,292**	–
	1,651	500
Current		
Trade receivables		
– Third parties (note (a))	**19,329**	22,145
Less: provision for impairment of trade receivables	**(224)**	–
Trade receivables – net	**19,105**	22,145
Bills receivable (note (b))	**302**	1,649
Prepayments		
– Third parties	**4,288**	1,508
– Related parties (note 35)	**20**	–
Other receivables		
– Third parties	**10,665**	8,204
– Related parties (note 35)	**797**	2,062
Less: provision for impairment of other receivables		
– Third parties	**(720)**	(720)
– Related parties (note 35)	**–**	–
	34,457	34,848
	36,108	35,348

(All amounts in Renminbi Yuan thousands unless otherwise stated)

14. Trade and Other Receivables (Continued)

(a) The Group's sales to customers are generally granted with credit terms within 180 days or extended as considered appropriate by the directors of the Company. As at 31 December 2020, the ageing analysis of the trade receivables is as follows:

	As at 31 December	
	2020	2019
Less than 30 days	**13,803**	19,715
31–90 days	**3,327**	2,032
91–180 days	**1,182**	174
181–365 days	**702**	17
Over 365 days	**91**	207
	19,105	22,145

The credit quality of trade receivables within credit limit are assessed by reference to historical information about counterparty default rates. As at 31 December 2020, these trade receivables were related to major customers of the Group and without indication of default in settlement.

As at 31 December 2020, trade receivables of RMB793,000 were past due but not impaired (31 December 2019: RMB224,000). The ageing analysis of these trade receivables is as follows:

	As at 31 December	
	2020	2019
Past due but not impaired:		
181–365 days	**702**	17
Over 365 days	**91**	207
	793	224

Trade receivables past due but not impaired relate to a number of customers with no recent history of default.

(b) As at 31 December 2020 and 2019, bills receivable represent bank acceptance bills.

(c) The carrying amounts of trade and other receivables, excluding prepayments, are denominated in the following currencies:

	As at 31 December	
	2020	2019
RMB	**30,834**	33,309
US$	**–**	256
HK$	**869**	165
Other currencies	**97**	110
	31,800	33,840

(d) The maximum exposure to credit risk is the carrying amounts of trade and other receivables. The Group does not hold any collateral as security.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

15. Financial Assets at Fair Value Through Profit or Loss

	As at 31 December	
	2020	2019
A put option	**386**	463

(a) Amount represents a put option embedded in the Group's investment in Kaiyi, a limited partnership set up for investing in an education consulting company, pursuant to which the Group has a right to put the Group's equity interest in Kaiyi to the controlling shareholder of the education consulting company at a price of the Group's original capital contribution plus a return of 10% per annum on and after the third anniversary of the investment.

The option is stated at fair value which is within level 3 of fair value hierarchy.

16. Cash and Cash Equivalents

	As at 31 December	
	2020	2019
Cash at bank and in hand	**104,430**	122,474

	As at 31 December	
	2020	2019
Denominated in:		
RMB	**101,392**	83,050
US$	**865**	5,944
HK$	**1,288**	32,729
TWD	**796**	663
Other currencies	**89**	88
	104,430	122,474

The maximum exposure to credit risk is the carrying amounts of cash and cash equivalents.

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

17. Restricted Cash

	As at 31 December 2020	2019
Current		
Guarantee deposits for loans	–	7,000
Other guarantee deposit (note (a))	**153**	153
	153	7,153

(a) The amount of RMB153,000 represents the letter of guarantees for certain contracts.

18. Share Capital and Premium

	Number of ordinary shares of HK$0.01 each	Nominal value of ordinary shares RMB'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Issued and fully paid					
Balance at 1 January 2019	621,213,500	6,212	6,475	6,339	12,814
Cancellation of shares	(8,332,000)	(83)	(73)	(3,219)	(3,292)
Capital redemption reserve	–	–	–	(367)	(367)
Balance at 31 December 2019 and 2020	612,881,500	6,129	6,402	2,753	9,155

(All amounts in Renminbi Yuan thousands unless otherwise stated)

19. Other Reserves

	Merger reserve (note (i))	Statutory reserve fund and enterprise expansion fund (note (ii))	Share option reserve (note (iii))	Financial assets at FVOCI	Others	Total
Balance at 1 January 2019	136,904	102,153	16,882	766	(520)	256,185
Share options granted to employees	–	–	489	–	–	489
Transfer from retained earnings	280	–	–	–	280	(45)
Revaluation – gross	–	–	–	(258)	–	(258)
Deferred tax for revaluation	–	–	–	6	–	6
NCI share in revaluation – gross	–	–	–	(11)	–	(11)
Capital redemption reserve	–	–	–	–	367	367
Balance at 31 December 2019	136,904	102,433	17,371	503	(153)	257,058
Balance at 1 January 2020	**136,904**	**102,433**	**17,371**	**503**	**(153)**	**257,058**
Share options granted to employees	**–**	**–**	**5**	**–**	**–**	**5**
Transfer from retained earnings	**–**	**864**	**–**	**–**	**173**	**1,037**
Revaluation – gross	**–**	**–**	**–**	**213**	**–**	**213**
Deferred tax for revaluation	**–**	**–**	**–**	**(74)**	**–**	**(74)**
NCI share in revaluation – gross	**–**	**–**	**–**	**(13)**	**–**	**(13)**
Capital redemption reserve	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 31 December 2020	**136,904**	**103,297**	**17,376**	**629**	**20**	**258,226**

(i) Merger reserve of the Group represents the difference between the share capital of subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange pursuant to the reorganisation undertaken by the Group in preparation of the listing of the shares of the Company on the Stock Exchange which has been set out in the Prospectus of the Company dated 20 June 2005.

(ii) In accordance with relevant rules and regulations applicable to foreign investment company in the PRC, the Group's certain subsidiaries are required to make appropriations from net profit, after offsetting accumulated losses from prior years, to Statutory Reserve Fund and Enterprise Expansion Fund before it distributes profit to its shareholders. The appropriation to Statutory Reserve Fund should be 10% of its profit after taxation calculated under PRC accounting rules and regulations, until the accumulated total of the fund reaches 50% of the registered share capital of the company and appropriation to Enterprise Expansion Fund is solely determined by the board of directors of the company. The Statutory Reserve Fund can be used to offset accumulated losses brought forward from prior years or, upon approval by the relevant authority to increase the share capital of the company, the Enterprise Expansion Fund can only be used to increase share capital of the company upon approval by the relevant authority.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

19. Other Reserves (Continued)

(iii) Share options reserve

The following tables disclose details of the Company's share options held by the employees and movements in such holding during the year.

For the year ended 31 December 2020:

Date of grant	Exercise price per share (HK$)	Vesting period	Exercisable period	Number of share options: Outstanding at 1 January 2020	Granted during the year	Lapsed during the year	Cancelled during the year	Outstanding at 31 December 2020
17 December 2014 (note (a))	1.70	17 December 2014 to 17 December 2018	17 December 2015 to 17 December 2020	14,530,000	–	(13,780,000)	(750,000)	–
15 May 2015 (note (a))	2.17	15 May 2015 to 15 May 2019	15 May 2016 to 15 May 2021	11,890,000	–	–	(2,150,000)	9,740,000
25 September 2020 (note (a) and note (b))	0.13	25 September 2020 to 25September 2024	25 September 2021 to 25 September 2026	–	2,900,000	–	–	2,900,000
				26,420,000	2,900,000	(13,780,000)	(2,900,000)	12,640,000
		Exercisable at the end of the year		23,447,500	–	–	–	9,740,000
		Weighted average exercise price		HKD 1.91	HKD 0.13	1.70	HKD 2.05	HKD 1.70

(a) The first 25% of the option can be exercised at any time on and after the first anniversary of the grant of the option. The next 25% of the option can be exercised at any time commencing from the second anniversary of the grant of the option. The third 25% of the option can be exercised at any time commencing from the third anniversary of the grant of the option. The fourth 25% of the option can be exercised at any time commencing from the fourth anniversary of the grant of the option.

(b) During the year, 16,680,000 shares were forfeited and nil was reversed in the consolidated income statement and other reserve account.

(c) The fair value of share options granted in 2020 of 2,900,000 shares was determined using the "binomial valuation model" was HK$91,000(equivalent to RMB76,000). The significant inputs into the model were weighted average share prices of HK$0.13 at the grant date, exercise price shown above, expected volatility of 51.58%, expected dividend yield of 10.39%, and expected share option life of 6 years and an annual risk-free interest rate of 0.29%.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

19. Other Reserves (Continued)

(iii) Share options reserve (Continued)

For the year ended 31 December 2019:

				Number of share options				
Date of grant	Exercise price per share (HK$)	Vesting period	Exercisable period	Outstanding at 1 January 2019	Granted during the year	Lapsed during the year	Forfeited during the year (note (b))	Outstanding at 31 December 2019
10 December 2013 (note (a))	1.18	10 December 2013 to 10 December 2017	10 December 2014 to 10 December 2019	2,123,500	–	–	(2,123,500)	–
17 December 2014 (note (a))	1.70	17 December 2014 to 17 December 2018	17 December 2015 to 17 December 2020	15,330,000	–	–	(800,000)	14,530,000
15 May 2015 (note (a))	2.17	15 May 2015 to 15 May 2019	15 May 2016 to 15 May 2021	12,520,000	–	–	(630,000)	11,890,000
				29,973,500	–	–	(3,553,500)	26,420,000
		Exercisable at the end of the year		26,843,500	–	–	–	23,447,500
		Weighted average exercise price		HKD1.86	–	–	HKD1.47	HKD1.91

(a) The first 25% of the option can be exercised at any time on and after the first anniversary of the grant of the option. The next 25% of the option can be exercised at any time commencing from the second anniversary of the grant of the option. The third 25% of the option can be exercised at any time commencing from the third anniversary of the grant of the option. The fourth 25% of the option can be exercised at any time commencing from the fourth anniversary of the grant of the option.

(b) During the year, 3,553,000 share options were forfeited and nil was reversed in the consolidated income statement and the other reserve account.

Share options were granted to certain employees. The exercise price of the granted options approximates to the average of the closing prices for the five business days immediately before the grant date.

Out of the 12,640,000 outstanding options (2019: 9,740,000), 23,447,500 options (2019: 23,447,500) were exercisable as at 31 December 2020. During the year, no shares (2019: nil) were issued since no share options were exercised.

The respective weighted average share price at the time of exercise was HK$1.70 (2019: HK$1.91) per share.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

20. Borrowings

	As at 31 December	
	2020	2019
Non-current		
Guaranteed bank borrowing (note (a))	**1,108**	–
Current		
Secured bank borrowing	**–**	32,249
Unsecured bank borrowing (note (b))	**84,988**	59,998
	86,096	92,247

(a) The bank borrowings of HKD1,316,000 (RMB1,108,000) were guaranteed by the director of the Company, Mr. Au Pak Yin, which bears an interest rate of 2.5% per annum below the prime lending rate for HK dollars.

(b) The amount presented bank borrowings bearing fixed interest rates ranging from 3.75% to 4.15%.

The maturities of the borrowings are as follows:

	As at 31 December	
	2020	2019
Within 1 year	**84,988**	92,247
Between 1 and 2 years	**–**	–
Between 2 and 3 years	**1,108**	–
	86,096	92,247

The fair values of the borrowings equal their carrying amount, as the impact of discounting is not significant.

The Group has the following undrawn loan facilities:

	As at 31 December	
	2020	2019
– expiring within one year	**–**	83,479
– later than one year	**30,000**	–
	30,000	83,479

21. Deferred Income Tax

	As at 31 December	
	2020	2019
Deferred income tax assets to be recovered over 1 year	**(6,954)**	(8,192)
Deferred income tax liabilities to be payable over 1 year	**382**	363
Deferred tax assets – net	**(6,572)**	(7,829)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

21. Deferred Income Tax (Continued)

The gross movement on the deferred income tax is as follows:

	As at 31 December	
	2020	2019
Balance at 1 January	**(7,829)**	(3,874)
Charged/(credited) to the consolidated income statement	**1,183**	(3,949)
Charged/(credited) to other comprehensive income	**74**	(6)
Balance at 31 December	**(6,572)**	(7,829)

The movement in deferred income tax liabilities and assets during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax liabilities	Changes in fair value of financial assets at FVOCI over the tax bases	Valuation appreciation	Total
At 1 January 2019	311	164	475
Credited to the consolidated income statement	–	(106)	(106)
Credited to other comprehensive income	(6)	–	(6)
At 31 December 2019	305	58	363
At 1 January 2020	**305**	**58**	**363**
Credited to the consolidated income statement	**–**	**(55)**	**(55)**
Charged to other comprehensive income	**74**	**–**	**74**
At 31 December 2020	**379**	**3**	**382**

Deferred income tax assets	Impairment of inventories	Tax losses	Impairment of trade receivables	Total
At 1 January 2019	(41)	(4,308)	–	(4,349)
Credited to the consolidated income statement	(1,795)	(2,048)	–	(3,843)
At 31 December 2019	(1,836)	(6,356)	–	(8,192)
At 1 January 2020	**(1,836)**	**(6,356)**	**–**	**(8,192)**
Charged to the consolidated income statement	**356**	**916**	**(34)**	**1,238**
At 31 December 2020	**(1,480)**	**(5,440)**	**(34)**	**(6,954)**

Deferred income tax assets are recognised for tax loss carry-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2020, the tax losses of certain group companies over which deferred tax assets were recognised as below:

	As at 31 December	
	2020	2019
Tax loss expiring from 2 to 5 years	**24,446**	30,277

(All amounts in Renminbi Yuan thousands unless otherwise stated)

22. Trade and Other Payables

	As at 31 December	
	2020	2019
Trade payables		
– Third parties	**45,695**	30,872
– Related parties	**–**	286
	45,695	31,158
Other payables to third parties	**38,033**	36,499
Dividends payable	**396**	396
	84,124	68,053

At 31 December 2020, the ageing analysis of the trade payables based on invoice date, including amounts due to related parties of trading nature, is as follows:

	As at 31 December	
	2020	2019
Less than 30 days	**25,110**	25,790
31–90 days	**17,295**	2,945
91–180 days	**376**	498
181–365 days	**990**	172
Over 365 days	**1,924**	1,753
	45,695	31,158

The carrying amounts of trade and other payables are denominated in the following currencies:

	As at 31 December	
	2020	2019
RMB	**76,204**	60,314
US$	**–**	3,117
HK$	**6,800**	2,419
TWD	**1,120**	1,224
Other currencies	**–**	979
	84,124	68,053

(All amounts in Renminbi Yuan thousands unless otherwise stated)

23. Contract liabilities

The Group has recognised the following liabilities related to contracts with customers:

	As at 31 December	
	2020	2019
Contract liabilities		
– sales contracts of printers	**10,557**	1,497
	10,557	1,497

Contract liabilities for sales contracts of printers have increased by RMB 9,060,000 as a result of increase of prepaid sales orders.

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	2020	2019
Revenue recognised that was included in the contract liability balance at the beginning of the year		
– sales contracts of printers	**1,497**	3,090
– service contracts of technology development	**–**	920
	1,497	4,010

24. Revenue

(a) Revenues from external customers are for sales of goods as below:

	2020	2019
Printers	**265,128**	291,390
Other electronic products	**7,703**	2,619
Other non-electronic products	**3,136**	3,055
	275,967	297,064

(b) The Group is domiciled in the PRC. The revenue from external customers are as below:

	2020	2019
In the PRC	**262,726**	291,203
In other countries	**13,241**	5,861
	275,967	297,064

(c) For the year ended 31 December 2020, approximately 15% of total revenue are derived from a single external customer (2019: 13%), which is attributable to the sales of printers.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

25. Other Income

	2020	2019
Interest income of bank deposits	2,178	3,694
Technology service income	–	1,420
Dividend received	1,232	1,267
Repair and maintenance service income	35	39
Incentive subsidy	3,757	275
Others	875	98
	8,077	6,793

26. Expenses by Nature

Expenses included in cost of goods sold, selling and marketing expenses and administrative expenses are analysed as follows:

	2020	2019
Depreciation of property, plant and equipment and right-of-use assets and amortisation of intangible assets (notes 6, 7 and 8)	16,551	13,663
Raw materials and consumables recognised in cost of goods sold and expenses	164,774	188,609
Employee benefit expenses (note 27)	75,123	86,884
Operating leases	4,986	1,513
Transportation expenses	6,867	8,135
Auditor's remuneration	1,440	1,551
– Audit services	1,400	1,531
– Non-audit services	40	20
Advertising and promotion fees	3,005	5,242
Impairment of goodwill	2,262	586
Impairment of intangible assets	631	–
Amortisation of other assets	1,053	419
Others	26,736	29,933
	303,428	336,535

(All amounts in Renminbi Yuan thousands unless otherwise stated)

27. Employee Benefit Expenses

	2020	2019
Wages and salaries	**68,666**	72,886
Share options granted to employees (note 19)	**4**	489
Staff welfare and insurance	**6,039**	8,594
Pension costs – defined contribution plans	**414**	4,915
	75,123	86,884

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two(2019: two) directors whose emoluments are reflected in the analysis in benefits and interests of directors (note 37). The emoluments payable to the remaining three (2019: three) out of the five highest paid individuals during the year are as follows:

	2020	2019
Salaries	**2,222**	2,261
Allowances and benefits in kind	**3**	–
Employer's contribution to the retirement scheme	**16**	19
	2,241	2,280

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
Emolument bands (in HK dollar)		
HK$0 – HK$1,000,000	**3**	3

28. Other Gains/(Losses) – Net

	2020	2019
Losses on financial assets at fair value through profit or loss	**(77)**	–
Foreign exchange gains/(losses) – net	**169**	(837)
Gains/(losses) from disposal of machinery and equipment	**69**	(12)
Others	**61**	84
	222	(765)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

29. Finance Expenses – Net

	2020	2019
Interest expenses on bank borrowings	**(5,097)**	(5,421)
Interest expenses on borrowings from a non-controlling shareholder	**(94)**	(86)
Exchange gains/(losses) on bank borrowings	**90**	(706)
Interest expense on lease liabilities	**(100)**	(143)
	(5,201)	(6,356)

30. Income Tax (Expense)/Credit

	2020	2019
Current income tax expenses		
– Hong Kong profits tax (note (a))	**–**	(21)
– PRC corporate income tax (note (b))	**–**	1,658
– PRC dividend withholding tax (note (c))	**–**	(920)
	–	717
Deferred income tax	**(1,183)**	3,949
	(1,183)	4,666

The income tax on the Group's profit before taxation differs from the theoretical amount that would arise using the enacted tax rate of the home countries of the Group entities as follows:

	2020	2019
Loss before tax	**(24,251)**	(41,110)
Tax calculated at tax rates applicable to profits or losses in the respective entities of the Group	**5,655**	7,360
Tax losses for which no deferred income tax assets were recognised	**(7,104)**	(2,108)
Write-off of previously recognised deferred tax assets for tax losses	**–**	(2,190)
Additional deductible allowance for research and development expenses	**965**	2,582
Utilisation of previously unrecognised tax losses	**–**	29
Tax effect of share of profit or loss of an associate	**17**	12
Dividend income not subject to tax	**308**	317
Tax effect of goodwill impairment	**(339)**	(146)
Expenses not deductible for tax purposes	**(685)**	(270)
PRC withholding tax	**–**	(920)
	(1,183)	4,666

30. Income Tax (Expense)/Credit (Continued)

(a) Hong Kong profits tax

The applicable Hong Kong tax rate is 16.5% for the year ended 31 December 2020 (2019: 16.5%).

(b) PRC corporate income tax

Pursuant to the PRC Corporate Income Tax Law (the "CIT Law"), the CIT rate is 25%. As Kong Yue Electronics & Information Industry (Xinhui) Limited ("Kongyue Information") has been qualified as High and New Technology Enterprises ("HNTE") for three years from 2020 to 2022, it enjoys a preferential CIT rate at 15% for the year ended 31 December 2020 (2019: 15%). The effective CIT rate of other group entities in the PRC is 25% (2019: 25%).

(c) PRC dividend withholding tax

Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6 December 2007, dividends distributed out from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong.

During the year, the Group incurred withholding income tax of nil (2019: RMB920,000). No deferred income tax has been provided for PRC dividend withholding tax as at 31 December 2020.

(d) Overseas income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2013 Revision) of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. Subsidiaries of the Company in the BVI are incorporated under the International Business Companies Act of the BVI and, accordingly, are exempted from income tax in the BVI.

31. Loss per Share

Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2020	2019
Loss attributable to the shareholders of the Company (RMB'000)	**(25,113)**	(36,057)
Weighted average number of ordinary shares in issue (shares in thousands)	**612,882**	612,882
Basic losses per share (RMB per share)	**(0.041)**	(0.059)

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding on an assumption of conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are share options. For the share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company for the year) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2020	2019
Losses attributable to the shareholders of the Company (RMB'000)	**(25,113)**	(36,057)
Weighted average number of ordinary shares in issue (shares in thousands)	**612,882**	612,882
Adjustments for share options (shares in thousands)	**744**	–
After adjustments	**613,626**	612,882
Diluted losses per share (RMB per share)	**(0.041)**	(0.059)

32. Dividends

No dividend was recommended by the board of directors for the year ended 31 December 2020 (for the year ended 31 December 2019: nil).

(All amounts in Renminbi Yuan thousands unless otherwise stated)

33. Cash flow information

(a) Cash Generated from Operating Activities

	2020	2019
Loss for the year	(25,435)	(36,444)
Adjustments for:		
– Income tax expense/(credit)	1,183	(4,666)
– Depreciation of property, plant and equipment	12,597	10,522
– Depreciation of right-of-use assets	2,723	2,162
– Amortisation of intangible assets	1,231	979
– Amortisation of other assets	1,053	419
– Losses from disposal of property, plant and Equipment	69	12
– Interest income	(2,178)	(3,694)
– Share options granted to employees	5	489
– Gains on profit from financial assets at fair value through profit or losses	77	–
– Finance expenses – net	5,201	6,356
– Exchange losses/(gains) on cash and cash equivalents	1,255	(951)
– Amortisation of discount interest of long-term receivables	–	(85)
– Impairment of goodwill	2,262	586
– Impairment loss of intangible assets	631	–
– Impairment of investment in associates	–	1,388
– Share of gains of investments accounted for using the equity method	(112)	(77)
– Dividend income from an investee	(1,232)	(1,267)
	(670)	(24,271)
Changes in working capital:		
– Inventories	(14,718)	5,556
– Trade and other receivables	(1,255)	(10,344)
– Restricted cash	–	101
– Contract liabilities	9,060	(2,513)
– Trade and other payables	14,230	4,106
Cash used in operations	6,647	(27,365)

(All amounts in Renminbi Yuan thousands unless otherwise stated)

33. Cash flow information (Continued)

(b) Reconciliation of liabilities arising from financing activities

	Liabilities from financing activities		
	Borrowing due within 1 year (note 20)	Borrowing due after 1 year (note 20)	Total
Liabilities arising from financing activities as at 1 January 2020	(92,247)	–	(92,247)
Cash flows	7,259	(1,198)	6,061
Foreign exchange adjustments	–	90	90
Liabilities arising from financing activities as at 31 December 2020	(84,988)	(1,108)	(86,096)

34. Commitments

(a) Capital commitments

The future aggregate minimum payments of property, plant and equipment are as follows:

	2020	2019
No later than 1 year	1,380	–
Later than 1 year and not later than 5 years	–	–
	1,380	–

(b) Non-cancellable operating lease

The Group leases various offices and warehouses under non-cancellable operating leases expiring within six months to three years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see note 7 and for further information.

	2020	2019
No later than 1 year	1,115	318
Later than 1 year and not later than 5 years	383	–
	1,498	318

35. Related-party Transactions

Mr. Au controls 100% of Au Pak Yin, Tai Noi Kit Family Holdings Limited and in turn control 100% of Kytronics Growth Limited and Kytronics. Mr. Au controls the 72.61% shareholdings of Kytronics in the Company.

In addition to those disclosed elsewhere in the financial statements, the following transactions were carried out with related parties.

(a) Name and relationship with related parties

Name	Relationship
Au Family	Beneficial owner of the Company including Mr. Au Pak Yin, Ms. Tai Noi Kit, Mr. Au Kwok Lun. Mr. Ou Guo Liang and Ms. Ou Ri Ai
Close Au Family Members	Close family members of Au Family
Jiangmen Huasheng Industrial and Manufacturing Co., Ltd ("Jiangmen Huasheng")*	Company controlled by Close Au Family Members
Jiangmen Kong Yue Information Products Import Export Limited ("KY Import/Export")	Company controlled by Close Au Family Members
Palace International Hotel ("Palace")	Company controlled by Close Au Family Members
Kong Yue Industrial Park (Xinhui) Limited ("Industrial Park")	Company beneficially owned by Mr. Au Pak Yin and Close Au Family Members
Guangdong Kong Yue Zhongding Rubber Component Limited ("Guangdong Zhongding")	Company under significant influence of Au Family
Hong Rui Da	An associate of the Group
Shuyuan	An associate of the Group

* Jiangmen Huasheng Industrial and Manufacturing Co., Ltd was no longer the Group's related party since April 2020.

** Guangdong Kong Yue Zhongding Rubber Component Limited was no longer the Group's related party since June 2020.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

35. Related-party Transactions (Continued)

(b) The following significant transactions were carried out with related parties:

		2020	2019
(i)	**Purchase of goods** (note (b-1))		
	– Jiangmen Huasheng	896	11,917
	– Guangdong Zhongding	874	2,155
		1,770	14,072
(ii)	**Purchase of services** (note (b-1))		
	– Palace	27	766
(iii)	**Acquisition of business**		
	– Hong Rui Da	–	2,640
(iv)	**Acquisition of fixed assets** (note (b-1))		
	– Jiangmen Huasheng	–	2,600
(v)	**The remuneration of executive directors of the Company and other members of key management of the Group during the year was as follows:**		
	– Salary and other short-term employee benefits	5,704	5,723
	– Share options	–	66
	– Retirement scheme contribution	35	65
		5,739	5,854
(vi)	**Year-end balances with related parties**		
	Trade and other receivables from related parties (note 14)		
	– Hong Rui Da (note (b-3))	2,039	1,951
	– Industrial Park (note (b-2))	50	111
		2,089	2,062
	Prepayment to related parties (note 14)		
	– Hong Rui Da	20	–
	Trade payables to related parties (note 22)		
	– Guangdong Zhongding	–	286

Notes:

(b-1) The purchase transactions are negotiated with related parties in a normal course of business.

(b-2) The balance is interest free and repayable on demand.

(b-3) The balance represents a secured loan to an associate company, Hong Rui Da, which was originally interest free with three-year maturity due in July 2020 and was extended for another two years upon the original due date. The renewed loan is due in two instalments in July 2021 and July 2022, with interest rate of 4.65% per annum.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

36. Balance Sheet and Reserve Movement of the Company

Balance sheet of the Company

		As at 31 December	
	Note	**2020**	2019
ASSETS			
Non-current assets			
Investments in subsidiaries	9	**231,626**	231,622
Other assets		**1,229**	1,462
		232,855	233,084
Current assets			
Amounts due from subsidiaries		**4,993**	10,416
Cash and cash equivalents		**304**	580
		5,297	10,996
Total assets		**238,152**	244,080
EQUITY			
Capital and reserves attributable to shareholders of the Company			
Share capital and premium		**9,155**	9,155
Other reserves		**229,462**	229,457
(Accumulated losses)/retained earnings		**(3,661)**	2,134
Total equity		**234,956**	240,746
LIABILITIES			
Current liabilities			
Trade and other payables		**3,196**	3,334
Total liabilities		**3,196**	3,334
Total equity and liabilities		**238,152**	244,080

Mr. Au Pak Yin
Director

Mr. Au Kwok Lun
Director

(All amounts in Renminbi Yuan thousands unless otherwise stated)

36. Balance Sheet and Reserve Movement of the Company (Continued)

(a) Reserve movement of the Company

	Retained earnings/ (accumulated losses)	Other reserves
At 1 January 2019	941	228,601
Loss for the year	(2,099)	–
Cancellation of shares (note 18)	3,292	367
Share options granted to employees	–	489
At 31 December 2019	2,134	229,457
At 1 January 2020	**2,134**	**229,457**
Loss for the year	**(5,795)**	**–**
Cancellation of shares (note 18)	**–**	**–**
Share options granted to employees	**–**	**5**
At 31 December 2020	**(3,661)**	**229,462**

37. Benefits and Interests of Directors

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2020:

Name	Fees	Salaries	Discretionary bonuses	Housing allowance	Allowances and benefits in kind	Employee's contribution to retirement scheme	Amount received as inducement to join to upon joining the Company	Compensation received for the loss of office	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
Mr. Au Pak Yin	214	1,495	–	60	–	–	–	–	–	1,769
Mr. Au Kwok Lun (Chief Executive Officer)	214	993	–	–	107	16	–	–	–	1,330
Mr. Ou Guo Liang	214	192	–	–	107	16	–	–	–	529
Mr. Yeung Kwok Keung*	214	–	–	–	–	–	–	–	–	214
Mr. Meng Yan*	84	–	–	–	–	–	–	–	–	84
Ms. Kan Lai Kuen, Alice*	214	–	–	–	–	–	–	–	–	214
Dr. Zhong Xiaolin*	130	–	–	–	–	–	–	–	–	130
	1,284	2,680	–	60	214	32	–	–	–	4,270

(All amounts in Renminbi Yuan thousands unless otherwise stated)

37. Benefits and Interests of Directors (Continued)

(a) Directors' and chief executive's emoluments (Continued)

For the year ended 31 December 2019:

Name	Fees	Salaries	Discretionary bonuses	Housing allowance	Allowances and benefits in kind	Employee's contribution to retirement scheme	Amount received as inducement to join to upon joining the Company	Compensation received for the loss of office	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
Mr. Au Pak Yin	211	1,478	–	58	–	–	–	–	–	1,747
Mr. Au Kwok Lun (Chief Executive Officer)	211	1,030	–	–	–	16	–	–	–	1,257
Mr. Ou Guo Liang	211	229	–	–	–	16	–	–	–	456
Mr. Yeung Kwok Keung*	211	–	–	–	–	–	–	–	–	211
Mr. Meng Yan*	185	–	–	–	–	–	–	–	–	185
Ms. Kan Lai Kuen, Alice*	129	–	–	–	–	–	–	–	–	129
	1,158	2,737	–	58	–	32	–	–	–	3,985

* Ms. Kan Lai Kuen, Alice, Mr. Meng Yan, Mr. Yeung Kwok Keung, and Dr. Zhong Xiaolin are independent non-executive directors of the Company.

** Mr. Meng Yan retired from the Group on 22 May 2020.

(All amounts in Renminbi Yuan thousands unless otherwise stated)

37. Benefits and Interests of Directors (Continued)

(a) Directors' and chief executive's emoluments (Continued)

During the years ended 2020 and 2019, none of the directors of the Company waived their emoluments nor have agreed to waive their emoluments.

Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the Company or its subsidiary undertaking		Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking		Total	
2020	2019	**2020**	2019	**2020**	2019
3,995	3,927	**274**	58	**4,269**	3,985

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the years 2020 and 2019 or at any time during the years ended 31 December 2020 and 2019.

Five-Year Financial Summary

(All amounts in Renminbi Yuan thousands unless otherwise stated)

Consolidated Balance Sheets

	31 December 2020	31 December 2019	31 December 2018	31 December 2017	31 December 2016
ASSETS					
Non-current assets					
Property, plant and equipment	**107,362**	105,823	103,640	94,402	89,488
Right-of-use assets	**8,545**	10,681	–	–	–
Land use right	**–**	–	8,010	8,299	8,588
Intangible assets	**11,075**	13,216	11,726	11,911	12,681
Investments accounted for using the equity method	**7,933**	7,821	9,132	14,870	18,570
Financial assets at fair value through profit or loss	**–**	463	463	–	–
Financial assets at fair value through other comprehensive income	**11,178**	5,956	6,214	–	–
Available-for-sale financial assets	**–**	–	–	2,556	3,349
Deferred income tax assets	**6,954**	8,192	4,349	2,190	2,682
Restricted cash	**–**	–	7,000	58,120	58,130
Other receivables	**1,651**	500	3,158	1,781	–
Other assets	**3,264**	3,124	3,038	–	–
	157,962	155,776	156,730	194,129	193,488
Current assets					
Inventories	**101,038**	86,320	91,876	79,795	89,113
Trade and other receivables	**34,457**	34,848	27,390	49,997	39,034
Financial assets at fair value through profit or loss	**386**	–	–	20,092	–
Time deposits	**–**	–	57,960	–	–
Restricted cash	**153**	7,153	254	253	69,651
Cash and cash equivalents	**104,430**	122,474	95,388	171,056	198,516
	240,464	250,795	272,868	321,193	396,314
Total assets	**398,426**	406,571	429,598	515,322	589,802
EQUITY					
Capital and reserves attributable to shareholders of the Company					
Share capital and premium	**9,155**	9,155	12,814	51,297	24,578
Other reserves	**258,226**	257,058	256,185	252,643	245,913
(Accumulated losses)/retained earnings	**(50,396)**	(24,246)	8,799	40,365	51,616
	216,985	241,967	277,798	344,305	322,107
Non-controlling interests	**(872)**	(564)	(119)	(455)	(77)
Total equity	**216,113**	241,403	277,679	343,850	322,030
LIABILITIES					
Non-current liabilities					
Borrowings	**1,108**	–	31,543	50,154	53,670
Lease liabilities	**–**	1,363	–	–	–
Deferred income tax liabilities	**382**	363	475	667	1,073
	1,490	1,726	32,018	50,821	54,743
Current liabilities					
Trade and other payables	**84,124**	68,053	62,076	86,317	98,768
Contract liabilities	**10,557**	1,497	4,010	–	–
Lease liabilities	**1,154**	1,645	–	–	–
Current income tax liabilities	**–**	–	3,815	4,334	6,921
Borrowings	**84,988**	92,247	50,000	30,000	107,340
	180,823	163,442	119,901	120,651	213,029
Total liabilities	**182,313**	165,168	151,919	171,472	267,772
Total equity and liabilities	**398,426**	406,571	429,598	515,322	589,802
Net current assets	**59,641**	87,353	152,967	200,542	183,285
Total assets less current liabilities	**217,603**	243,129	309,697	394,671	376,773

(All amounts in Renminbi Yuan thousands unless otherwise stated)

Consolidated Income Statement

	2020	2019	2018	2017	2016
Revenue	**275,967**	297,064	329,621	373,188	526,637
Cost of goods sold	**(191,069)**	(212,208)	(224,595)	(241,790)	(331,730)
Gross profit	**84,898**	84,856	105,026	131,398	194,907
Other income	**8,077**	6,793	5,765	7,663	9,962
Selling and marketing expense	**(32,889)**	(40,240)	(40,130)	(37,740)	(43,263)
Administrative expenses	**(42,110)**	(39,646)	(40,375)	(47,065)	(48,629)
Research and development expenses	**(37,360)**	(44,441)	(44,523)	(28,111)	(26,834)
Other gains/(losses) – net	**222**	(765)	440	1,523	376
Operating (loss)/profit	**(19,162)**	(33,443)	(13,797)	27,668	86,519
Finance expenses – net	**(5,201)**	(6,356)	(10,138)	(500)	(7,408)
Share of gains/(losses) of investments accounted for using the equity method	**112**	77	(1,081)	(657)	(606)
Impairment of investment in associates	**–**	(1,388)	(3,586)	(6,443)	–
(Loss)/profit before income tax	**(24,251)**	(41,110)	(28,602)	20,068	78,505
Income tax (expenses)/credit	**(1,183)**	4,666	(439)	(6,593)	(17,440)
(Loss)/profit for the year	**(25,434)**	(36,444)	(29,041)	13,475	61,065
Attributable to:					
– Shareholders of the Company	**(25,113)**	(36,057)	(28,274)	13,853	61,176
– Non-controlling interests	**(321)**	(387)	(767)	(378)	(111)
	(25,434)	(36,444)	(29,041)	13,475	61,065
(Loss)/earnings per share for (loss)/profit attributable to the shareholders of the Company during the year (expressed in RMB per share)					
– Basic	**(0.041)**	(0.059)	(0.045)	0.021	0.098
– Diluted	**(0.041)**	(0.059)	(0.045)	0.021	0.098